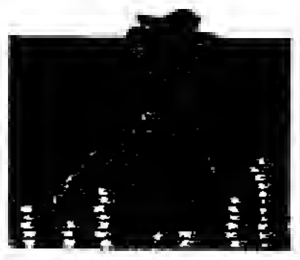
FINANCIAL TIMES

World Business Newspaper http://www.FT.com MONDAY DECEMBER 22 1997

Start the week with...



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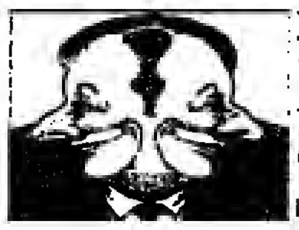

Management
For shareholders- or stakeholders?
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WORLD NEWS

Clinton to talk tough to Serbs and Moslems on Bosnia visit

President Clinton will deliver tough messages to both Moslem and Serb politicians when he arrives in Bosnia for his 24-hour visit, preparing the ground for an indefinite US peace-keeping effort there. Mr Clinton will also try to persuade Congress and the public that the US presence is worthwhile. Page 14

Greek air traffic probe
The crash of a Ukrainian airliner in northern Greece, which killed all 70 aboard, has revealed flaws in air traffic control at Thessaloniki, Greece's second-biggest international airport. Page 2

Brussels queries call charges
The European Commission is probing the high prices of international phone calls in Europe. Page 2

France woos ex-colonies
French PM Lionel Jospin is seeking a new era in relations with the country'a former African colonies. Page 4

Iraq plan for aid distribution
Iraq said it had finalised a new plan for the distribution of aid under the "oil-for-food" deal, and will now put it to UN secretary general Kofi Annan. Page 4

Threat to Romania coalition
Romania's Hungarian UDMR party has threatened to leave the ruling coalition if it does not allow education in minority languages. Page 2

Spain to open markets
Spain's centre-right government is to deregulate the country's gas and petrol markets. Page 2

Serbian election 'flawed'
Serbia's fourth attempt to elect a successor to President Slobodan Milosevic is under fire as independent observers and the opposition accused the ruling Socialists of irregularities. Page 2

British film boom
Successful British films such as *Trainspotting* and *The Full Monty* have helped the UK film industry continue its revival. Page 5

Silvio Berlusconi accused
Italy's opposition leader Silvio Berlusconi faces a new demand to stand trial. Page 2

Shake-up in Burma
Burma's military regime has announced a surprise cabinet shake-up as it begins a crackdown on illegal currency traders and corruption investigations against former ministers. Page 3

New Pakistan tax chief
Pakistani PM Nawaz Shari is to appoint expatriate banker Moeen Khan, who works for Standard Chartered bank in London, to head the country'a tax collection agency. Page 3

Nigerian arrests
Nigeria's army said a coup had been foiled and a senior officers arrested, including Nigerian ruler Gen Sani Abacha's deputy Lt Gen Oladipo Diya. Page 2

Mexico to raise wages
Mexico is to raise its minimum wage by 14.7 per cent on January 1, after an agreement between the government, unions and business leaders. Page 2

Japanese budget agreed
Japan'a cabinet has approved a draft budget for next financial year cutting spending by Y570.5bn to Y44,540bn ($345bn). Page 2

Sweet smell of success
The next generation of oil billionaires could make their fortunes not in crude but in patchouli, the fragrance from Indonesia which is one of the main ingredients in perfumes and soaps. Page 14

BUSINESS NEWS

Mediobanca pioneer quits after losing power struggle

Gerardo Braggiotti, managing director of Mediobanca, the influential Milan merchant bank, has resigned. Mr Braggiotti, 45, one of the leading modernisers of the Italian banking sector, left after a power struggle with the bank'a chief executive. Page 15

NCC, one of Scandinavia'e largest construction companies, is to sell almost half its real estate portfolio for SKr3.02bn ($391m) to a joint venture formed by Morgan Stanley and GE Capital. Page 15

Toyota, Japan'e leading carmaker, is to invest nearly $400m in Britain to produce engines for its new car, to be built in France. Page 14; Doubt cast on investment claim, Page 5

Goldman Sachs, Morgan Stanley Dean Witter and Merrill Lynch, the US investment banks, have taken the top three positions in the equity league table rankings. They won more than 35 per cent of the market for all shares issues, with combined deals worth $38.2bn. Page 15

Prudential, the UK'a largest life assurer, is expected to buy the Arndale centre in Manchester, Britain'a largest shopping mall, for more than £300m ($495m) this week. Page 18

Unilever, the Anglo-Dutch group, has put its cost of dealing with the millennium electronic bug at £300m ($495m), three times the initial estimate. Page 16

Volkswagen, German carmaker, declined to comment on reports that production of the new generation Golf had been slowed down by last-minute design changes. Page 17; Lex, Page 14

Fidelity Investments, the fund manager, is to introduce internet-based dealing to unit trusts and personal equity plans in the UK from January 1. Page 15

AGF, the French insurer, is to reduce its controlling stake in Coface, the trade credit insurer, to a maximum of 30 per cent once it is taken over by Allianz of Germany. Page 18

France Telecom has taken a 10 per cent stake in a consortium headed by Cableuropa, a Spanish cable company seeking to provide telephone and interactive services in Madrid. Page 16

Lonrho, the UK-listed conglomerate, is close to agreeing conditional terms for a takeover of JCI, the South African mining company. Page 16

Saga Petroleum, Norway's largest independent oil producer, has announced plans to invest NKr11bn ($1.5bn) to develop its Snorre 2 oil field in the North Sea. Page 18

General Electric, the US industrial and services group, has lifted its dividend by 15 per cent and set aside $4bn to repurchase its own shares. Page 18

Texaco and Shell Oil have agreed to sell a refinery in Washington state and shed some other assets to win regulatory approval for the planned merger of their US refining and marketing operations. Page 16

Cometrans of Argentina and Opportunity, a Brazilian investment bank, have paid R$291.6m ($262.8m) as a consortium for a 20-year concession to operate Rio de Janeiro's urban railway system. Page 18

Core Pacific, one of Taiwan'a biggest securities companies, is to pay $80m for the Hong Kong operations of Yamaichi, the failed Japanese broker. Page 18

Earlier economic assessment had been 'too optimistic'

IMF says Asian crisis will cut back world growth

IMF's world output forecasts

Annual % change	Current projections 1997	Current projections 1998	Differences from Oct 1997 projections 1997	Differences from Oct 1997 projections 1998
World output	4.1	3.5	-0.1	-0.8
US	3.8	2.4	0.1	-0.2
Japan	1.0	1.1	-0.1	-1.0
Germany	2.3	2.6	–	-0.2
France	2.3	2.7	0.1	-0.1
Italy	1.3	2.3	0.1	0.2
UK	3.5	2.4	0.2	-0.2
European Union	2.6	2.7	0.1	-0.1
Asia excl Japan and Korea	6.8	5.7	-0.9	-1.7
ASEAN-4*	4.0	1.7	-1.6	-3.7

Source: IMF   *Indonesia, Malaysia, Thailand, Philippines

By Vicki Barnett in London

The International Monetary Fund has cut its forecast for world economic growth as a result of the Asian financial crisis.

In s special report, the Fund sdmitted yesterday that it had previously been too optimistic and said its new estimate could turn out to be too high if Japan's economic slowdown worsened.

The IMF, which is playing a central role in emergency support for troubled Asian economies, estimated that the global economy would expand by 3.5 per cent in 1998, 0.8 percentage points lower than forecast in September.

The report recommended that, to help contain the crisis, monetary anthorities in North America and Europe should delay rises in interest rates, and even be prepared to relax rates if the situation worsened.

The forecast came a week after the Organisation for Economic Co-operation and Development warned that financial turbulence in Asia could knock nearly 1 per cent off growth of the world's leading economies.

The Fund acknowledged it "did oot forecast the recent crises, and in retrospect was too optimistic in its baseline projections".

The IMF remained optimistic aboot growth prospects in North America and Europe, but identified a number of risks which could undermine its central forecast. The key near-term risk, the report said, was the possibility that Japan's economic slowdown could get worse.

The IMF has slashed its growth forecast for Japan, citing financial sector problems, weak domestic demand, and the strong impact of the Asian crisis. It estimated the Japanese economy would grow by just 1.1 per cent next year, compared to its previous forecast of 2.1 per cent.

The OECD last week cut its forecast for Japan from 2.3 per cent to 1.7 per cent in 1998.

The IMF forecast did not taka into account Tokyo's recent economic stimulus package. However Michael Mussa, the IMF's chief economist, said at a press conference that although the Japanese package was "a step in the right direction", there was a risk the economy might continue to deteriorate.

The report warned that confidence in Asian economies could take longer to return than was currently expected. This would have potentially serious consequences for the world economy.

At the time of the previous forecasts, made in its World Economic Outlook publication in September, the IMF did not consider the Asian crisis would have substantial implications for the global economy. However, its latest estimate was that the Asian crisis would reduce growth in other major industrial countries by around 0.4 per cent of gross domestic product. This effect would be partially offset by stronger than expected momentum of growth in North America and Europe.

The IMF predicted 1998 GDP growth of 2.4 per cent for the US,

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S Korea to double bad loan fund

Measures aim to help banks repay short-term foreign debt of $14bn

By John Burton in Seoul

The South Korean government said yesterday it would double the amount of a state fund to buy bad bank loans. The move is part of a package of financial reforms aimed at winning back the confidence of foreign investors.

The government wants to ensure that troubled financial institutions are eble to meet short-term foreign debt obligations of at least $14bn – due by the month's end – and avoid the lingering threat of loan defaults.

Financial markets reacted negatively to last Thursday's election of Kim Dae-jung, the centre-left opposition leader, as the next president. Mr Kim criticised the tough terms of the International Monetary Fund's $57bn bail-out during the campaign, but has since promised to abide by them.

Mr Kim, who will take power on February 25, agreed at the weekend to grant an amnesty to Roh Tae-woo and Chun Doo Hwan, former presidents jailed in connection with a corruption scandal and coup.

Five IMF officials, including Hnbert Neiss, its Asia-Pecific director, arrived in Seoul yesterday, while David Lipton, the US deputy Treasury secretary, was expected to arrive today. They were due to meet finance ministry officials to review efforts to reform the financial sector.

Worries about Korea's ability to meet its short-term debt obligations persisted despite the approval of a second tranche of $3.5bn by the IMF last week and the promise by Jepan to provide a bridging loan of $1.3bn to cover any possible liquidity shortage in paying foreign loans.

Interest rates on Saturday surged to a record high of 27.15 per cent, nearly seven times the inflation rate, due to continued fears of e credit crunch. The Seoul bourse recovered by 0.8 per cent on Saturday after falling 5.1 per cent on Friday in response to Mr Kim's election.

The finance ministry yesterday said it would double the size of the state fund to buy bad bank loans to Won20,000bn ($11.6bn). Its goal is to clean up all non-performing loans held by banks by the end of January. The government has estimated total non-performing loans et Won28,500bn, although analysts believe the amount is twice this.

The three main political parties also egreed legislation to give independence to the central bank on monetary policy, create a unified financial supervisory agency under the finance ministry and require transparent corporate accounts. The legislation could pave the way for the closure of several near-insolvent banks and other financial institutions.

World Bank eyes loan; Former leaders to be freed Page 3
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Hubert Neiss, IMF's Asia-Pacific director: reviewing reforms

Kim Dae-jung, president-elect: promised to abide by IMF terms

European regulators investigate 'virtual' brokerage

By Clay Harris, Banking Correspondent

Regulators in four European countries are investigating a brokerage that has ceased operation after selling US over-the-counter shares to investors around the world.

The probe is into Bathgate, Dreyfus & Pierce (BDP), which is also the subject of a criminal investigation in Portugal. The case illustrates difficulties anthorities face in regulating "virtual" companies, which operate in so many places they appear to escape jurisdiction.

It also highlights the potential abuse of the name of Nasdaq, the US trading system that promotes itself in Europe on the back of its association with Microsoft and Oracle. Earlier this month similar concerns prompted the National Association of Securities Dealers, which runs Nasdaq, to propose tightening the rules governing OTC shares.

BDP was registered in Ireland, sent out statements from Portugal – where it claimed to be based – and ran its sales operation from Spain. Portugnese regulators, however, said activities were directed from an office in the UK. BDP was anthorised in none of the four countries, and all are now participating in the investigation.

BDP's multinational nature did not end there. A credit check showed a Swiss company, BD&P Holding Ventures, as its only shareholder. Its research arm, which sent share recommendations to investors, had a New York address.

António Gageiro, head of enforcement at CMVM, the Portuguese securities regulator, said BDP had approached hundreds of potential investors. It usually bought clients shares in three US companies promoted as trading on the Nasdaq bulletin board. The companies were Interactive Telephone Network, Digitec 2000, promoters of pre-paid telephone cards, and Auto Metreks, which sells portable ATMs.

Frank Magliato, chief executive of Digitec 2000, said he received calls from investors in Hong Kong, New Zealand, Belgium, Greece and the

Continued on Page 14

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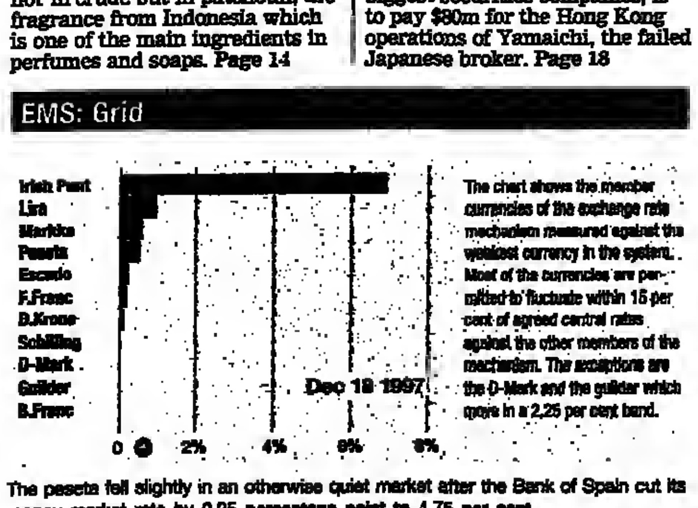

The peseta fell slightly in an otherwise quiet market after the Bank of Spain cut its money market rate by 0.25 percentage point to 4.75 per cent.

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London · Leeds · Paris · Frankfurt · Stockholm · Madrid · New York
Los Angeles · Tokyo · Hong Kong

52
9 770174 738111

Bahrain	[illegible]	Belgium	[illegible]	Cyprus	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	Finland	[illegible]
France	[illegible]	Gibraltar	[illegible]	Greece	[illegible]
Hungary	[illegible]	Iceland	[illegible]	Jordan	[illegible]
Kuwait	[illegible]	Latvia	Ls 1.05	Lithuania	[illegible]
Luxembourg	[illegible]	Morocco	[illegible]	Netherlands	[illegible]
Nigeria	[illegible]	Norway	[illegible]	Oman	[illegible]
Poland	Zl 7.50	[illegible]	[illegible]	Qatar	[illegible]
S.Arabia	[illegible]	S.Africa	[illegible]	Spain	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	Switzerland	[illegible]
Tunisia	[illegible]	UAE	[illegible]		

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Presidential poll marred by reports of ballot irregularities, intimidation and police harassment

Serbian poll 'fundamentally flawed'

By Guy Dinmore in Belgrade

Independent observers and the opposition Radical party accused the ruling Socialists of numerous irregularities in Serbia's fourth attempt yesterday to elect a successor to President Slobodan Milosevic.

The Organisation for Security and Co-operation in Europe described the last round of voting two weeks ago as "fundamentally flawed". This time it appeared to be even worse.

Vojislav Seselj, the candidate of the ultra-nationalist Radicals, said his supporters had been beaten up and prevented from observing the polls in the province of Kosovo. One Radical member of parliament said he was ejected from a polling station at gunpoint.

The US-funded Centre for Free Elections and Democracy, which deployed more than 700 observers, reported police barassment and multiple voting in several areas.

At one polling station in Vranje directors of the Socialist-run Simpo factory were alleged to have watched over their workers as they voted.

A senior government official said privately the Socialists were confident the international community would turn a blind eye to ballot irregularities if this was the price of denying victory to Mr Seselj, a former paramilitary leader who bas been denounced as a fascist by the US.

Mr Seselj defeated the previous Socialist candidate in a run-off on October 5 but was denied victory by a turnout just short of the legally required 50 per cent.

After a re-run of the elections two weeks ago Mr Seselj was trailing Milan Milutinovic, the Yugoslav foreign minister and a close ally of Mr Milosevic, by a considerable margin of 440,000 votes. Belgrade commentators predicted the Socialists would ensure that Mr Milutinovic emerged as the leading candidate but massive "ballot stuffing" would be needed to get a 50 per cent turnout because of widespread apathy among voters.

State television reported a high turnout in areas of Kosovo where the overwbelming ethnic Albanian majority has normally boycotted Serbian polls.

If Serbia is left without a president for several more months then Mr Milosevic, now president of federal Yugoslavia, will remain undisputed leader but still facing a serious challenge from the Radicals. Mr Milosevic was barred by the constitution from running for a third term as president of Serbia.

Botb Mr Seselj and Mr Milutinovic ran lacklustre campaigns, increasing speculation the Radical leader would accept defeat and try to extract a price by gaining posts in a coalition government or major etate enterprises.

Milutinovic: lacklustre campaign

Spaniards invest hopes in lotteries

By David White in Madrid

First comes the Big One, and then El Niño. The unlncky stand to suffer losses averaging about $60 for every man, woman and child.

Spain's seasonal "donble whammy" has nothing to do witb climate change or ocean currents. The phenomenon cutting a swathe through household budgets has been going on since the Napoleonic wars – a man-made disturbance known as the National Lottery. Between today's record Christmas draw and the El Niño lottery in two weeks' time, Spaniards will have invested a total of abont Pta347bn ($2.3bn) on lottery tickets.

When the boys and girls of Madrid's San Ildefonso school sing out the winners today, Pta180bn will be handed out in what, according to newspaper advertisements, is "the biggest big prize in the world". The event has been televised for the last 40 years.

There are 66,000 nnmbers in play, issoed in 130 series. The top of the draw brings a prize of Pta300m for each full ticket of that number – a total of Pta39bn – and second prize is Pta144m. But since each full ticket costs Pta30,000, most people buy them in one-tenths – a standard minimum ontlay of Pta3,000. In even the poorest regions of Spain the average expenditure is more than this. In Madrid, wbere gambling has the biggest bold, people spend an astonishing average of more than Pta10,000 just on this one draw. But then Madrid has had tbc biggest share of winning numbers.

Smaller fractions of tickets may be handed out by tradespeople to their customers as seasonal tokens. One pnblic relations firm has been sending out Pta500 vouchers, with a stake in a lottery number in its Christmas cards.

After the Christmas lottery, with its takings of Pta257bn, Spaniards get another chance on January 5 in the Pta90bn El Niño, which carries a Pta240m top prize. Seventy per cent of the total kitty goes on prizes. The rest is for administration costs and the government's cut.

Overall, Spaniards gamble more than Pta3,000bn a year, more than the turnover of the largest Spanish companies, and roughly equivalent to the cost of servicing tbe country's debt. This includes bingo halls, slot machines, football pools and other lotteries.

Spain opens up gas, petrol markets

By David White in Madrid

Gas and petrol markets in Spain are set to be deregulated under measures which the centre-right government hopes will force down prices through increased competition.

The first step, introduced by decree, will be to open up part of the market for natural gas from January. The change means that Gas Natural, the company controlled by the Repsol oil group, will have to make its pipelines and regasification plants available to competitors, under terms set by the government.

In the first instance, only large consumers buying 25m cubic metres or more a year, such as power generators or fertiliser companies, can choose their supplier. These users account for about 40 per cent of the market. But the aim is to increase this proportion later on.

Under a draft Hydrocarbons Law, approved by the cabinet last Friday and expected to come into effect around mid-year, competitors may set up their own distribution networks. In the meantime, the government has decided to hold off from selling to Gas Natural the remaining 9 per cent state holding in the Enagas; the unit responsible for transport and storage.

In anticipation of the change, Spain's largest electricity group Endesa has been holding talks with several potential foreign partners including Elf Aquitaine, Total and BP on forming a second operator with access to long-term supplies, which it believes could capture 20 per cent of Gas Natural's market.

At the same time, sales of bottled butane gas, widely used in Spain, are to be liberalised as an inducement to competition. Repsol currently holds some 99 per cent of the market. Relatively low government-fixed prices have so far discouraged competition, but prices have been raised by more than 12 per cent since August. Cepsa, the Spanish oil company linked to Elf, is keen to compete with Repsol in this market.

The new law will also reduce red tape in the petrol market, freeing the sale of oil products subject only to security and environmental requirements, and scrapping the current system of maximum prices. This is aimed at increasing competition in service stations, in a market dominated by Repsol and Cepsa.

Rescuers retrieve the body on Saturday of a passenger of the Ukrainian Yak-42 which crashed on a mountain near Thessaloniki in Greece on Wednesday killing 70. Earlier rescue attempts were hampered by poor visibility AP

Disaster prompts Greece to hold air traffic probe

By Kerin Hope in Athens

The crash of a Ukrainian eirliner leet week in northern Greece, in which all 70 passengers and crew were killed, has revealed serious flaws in air traffic control at Thessaloniki, Greece's second-biggest international airport.

The worst commercial air disaster in Greece for almost a decade also underlined the technical limitations of the Rueeian-made Yak-42 aircraft, which were designed to fly only on domestic routes in the former Soviet Union. Costas Simitis, Greece's prime minister, described the eccident as "an international embarrassment for the country." A parliamentary inquiry is to be launched into safety controls at regional airports, which handle an estimated 50 per cent of flights to Greece by scheduled and charter carriers.

The Russian pilot of the Yak-42, operated by Airsweet, an Ukrainian-Israeli concern, lost contact on Wednesday evening with the control tower at Thessaloniki airport as it prepared to make a second attempt at landing in foggy conditions.

The Yak-42 was a last-minute substitute for a damaged Boeing 737-200 on the flight from Kiev and Odessa, an Airsweet official said. Many passengers were Greeks working in Ukraine who were on their way home for the Christmas holidays.

With rescue operations hampered by snow and low cloud, it was not until Saturday morning that a Greek navy helicopter spotted wreckage from the aircraft on a mountainside in the Pieria range 70km south-west of Thessaloniki.

Tasos Mantelis, transport minister, said the Yak-42 pilot "appeared to have become disoriented" after having difficnlty communicating with Greek air traffic controllers speaking in English. The tape-recorded exchange was given to a public prosecutor to determine whether civil aviation officials should face charges of negligence.

Like other Greek regional airports, Thessaloniki does not have an approach radar system to assist pilots landing in fog or heavy rain. Civil aviation officials said radar equipment was delivered two years ago but not installed because of objections by local residents to the erection of an antenna near their homes.

The Yak-42 aircraft lacks sophisticated navigation instruments because it was designed for domestic flights in the former Soviet Union, where pilots receive instructions from local air traffic controllers along the route.

The death toll in the accident rose on Saturday when a Greek air force C-130 transport aircraft taking part in the search crashed near Athens, after flying low through monntainous terrain in an attempt to save time. All five crew members were killed.

Hungarian threat to Romanian coalition

By Anatol Lieven in Budapest

The Hungarian minority party in Romania has threatened to quit the ruling coalition if the government fails to deliver on promises to allow full education in minority languages.

Last week, the Romanian Senate defied an appeal by Emil Constantinescu, Romania's presidant, and banned the creation of separate university faculties in minority languages. The Senate majority also stipulated that even in minority schools, history and geography must be taught in Romanian.

The Senate vote is a blow for Mr Constantinescu and Victor Ciorbea, the prime minister, because a key role was played by senators from their own party, the National Peasants-Christian Democrats.

The Hungarian government has also begun to signal concern. The deputy foreign minister warned on Friday Romania may be damaging chances of joining Nato and the European Union.

The reformist coalition that took power a year ago made good relations with the Hungarian state and the Hungarians of Romania a key element in its programme. For the first time, the Hungarian UDMR joined the government and two Hungarians became ministers.

UDMR leaders now say that the terms on which they joined the coalition are not being fulfilled. Full education in Hungarian was enshrined in last year's Romanian-Hungarian treaty.

Matyas Eorsi, Hungary's deputy foreign minister, said on Friday thet it would be counter-productive for his government to become directly involved in the dispute as this would inflame Romanian nationalism.

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Central European officials criticise link between cash and progress on reforms

EU conditions for aid under attack

By Christopher Bobinski in Warsaw

Officials of the five central European countries preparing for the next round of European Union membership have criticised EU measures that make financial aid to them conditional on the progress of reforms.

The EU's scheme, called "accession partnerships", was endorsed at the summit of EU leaders in Luxembourg earlier this month wben Poland, the Czech Republic, Hungary, Slovenia and Estonia were invited to start detailed membership talks next spring, together with Cyprus.

Under the partnerships with each of the five central European countries, grants from the EU's Phare aid programme to central Europe and other assistance from international financial institutions would be tied to "progress and compliance with the programme for the adoption" of policies designed to adapt the recipients to membership of the EU.

Phare aid, introduced in 1990, has not been linked to progress on reform before.

"This shows that the honeymoon is over," said one official from an accession country. He also noted that Brussels had taken the initiative in setting the priorities for the changes it thought tbe applicants sbould make.

Officials from tbe five central European countries slated to start detailed negotiations with Brussels met for the first time in Prague last week to compare notes on strategy towards the EU. They privately criticised the haste with which Brussels wanted to put these "individual accession programmes" in place – by March 15 next year. However, public opposition from the five applicants is expected to be muted as they realise that the EU itself is coming to recognise that the timetable for drafting the policies is unrealistic. It will also be very difficult for the EU to define lapses by the applicants and to punish them by withdrawing aid.

"At the meeting everyone complained that the EU was giving them too little time to establish the terms of the partnerships, but then we concluded that the scheme will in any case be very difficult to enforce," said one participant.

Last Friday Rolf Timans, EU ambassador to Poland, said be hoped the EU's accession partnership with Poland could be agreed as early as next month.

This leaves little time for detailed discussion and suggests the policies in the document will be defined in such a general way as to make it hard to pin down a lack of progress.

Poland, which stands to receive around Ecu460m ($512m) in Phare aid in 1998 and 1999, replied at the end of last week to a draft of the main accession priorities which the EU thinks the country should adopt. This was sent to Warsaw on October 21.

The document ranges from a series of specific proposals to wider issues which will be the subject of the membership negotiations that start in the spring.

It includes a demand for a start to be made on privatising Telekomunikacja Polska, the main telecoms operator, and for a restructuring of the steel industry.

But it also asks the Poles to "establish a coherent structural and rural development policy to deal with the problem of Poland's agricultural structure".

NEWS DIGEST

IBM in $1.5bn software deal

International Business Machines has agreed to sell software worth more than $1.5bn to Electronic Data Systems (EDS), the US-based computer services and consulting group.

The five-year agreement, which covers virtually all of IBM's software products including its Lotus groupware, IBM's Tivoli systems management applications, and IBM's flagship DB2 database management software, is believed to be one of the biggest software deals.

EDS, which is among the largest providers of computer services to the corporate sector and governments, is a long-term customer of IBM. The new deal is designed to consolidate several existing contracts into a single umbrella agreement and sharply reduce administrative and purchasing costs for both companies.

The Texas-based group, whose revenues have beeo buoyed by the trend towards outsourcing non-core information technology (IT) applications in the private sector and government, is expected to use most of the eoftware on jobs for its clients. *Paul Taylor, London*

■ INTERNATIONAL TELECOMS

Brussels probes call costs

The European Commission has started an investigation into the high prices charged for international phone calls in Europe. Brussels suspects the charges no longer reflect the true cost of calls and has sent requests for information to all dominant EU operators.

A significant part of the charge for an international phone call is the rate agreed between the operator in the country where a call originates and the operator in the country where it terminates for carrying a one-minute call from origin to destination.

The charge is known as the "accounting rate". These charges were originally set at a level intended to cover the total cost of transporting the call. The Commission believes technological changes mean they are now set too high. *Emma Tucker, Brussels*

■ JAPANESE ECONOMY

Draft budget approved

The Japanese cabinet, caught between the need to reduce its fiscal deficit while avoiding recession, has approved a draft budget for next financial year.

The draft involves cutting general spending by the largest ever amount - Y570.5bn to Y44,540bn ($345bn) – down 1.3 per cent on this year's target.

Public works spending will be cut by 7.8 per cent to Y8,990bn, defence spending by 0.2 per cent to Y4,940bn – the first time the defence ministry's budget has been cut in 40 years – and official development aid by 10.7 per cent to Y974bn.

The overall budget will be Y77,670bn, up 0.4 per cent on this financial year's target. However, bond issuance will be higher than expected because of tax cuts announced this month. Japan plans to issue Y15,560bn of fresh government bonds. Tax revenoes are estimated at Y52,520bn, up 1.2 per cent from this year.

The fiscal deficit is estimated to reach 5.5 per cent of gross domestic product, among the highest of the big industrialised nations. The draft budget will be finalised on December 25, and sent to Parliament for approval in January. *Paul Abrahams, Tokyo*

Economics Notebook: Japan's missed opportunity, Page 6

■ LITHUANIAN ELECTIONS

Run-off vote expected

Lithuanians yesterday voted in their second presidential elections since the small Baltic state left the Soviet Union.

Recent opinion polls suggest no candidate will emerge as the outright winner with over 50 per cent of the vote. But two political novices, Arturas Palauskas, a youthful former prosecutor, and Valdas Adamkus, an American Lithuanian emigrant, are likely to contest the post in a run-off vote on January 4. Vyautas Landsbergis, current chairman of parliament, is the leading candidate most likely to be eliminated in this first round.

The election has been a battle of personalities rather than ideas. All leading candidates support liberal economic policies as well as accession to the European Union and Nato. The president has responsibility for the country's foreign policy and appoints the prime minister.

Algirdas Brazauskas, the current president and Lithuania'e most popular politician, decided not to seek a second term. *Matej Vipotnik, Vilnius*

■ MEXICAN PAY

Minimum wage to rise 14.7%

Mexico will raise the minimum wage by 14.7 per cent on January 1, a move that should help slightly recoup purchasing power but not by as much as workers had hoped after years of declines.

News of the increase, agreed between the government, unions and business leaders, coincided with a rise in petrol prices on Saturday of 4 per cent, that will be followed by monthly 0.7 per cent increases next year.

The government is aiming for inflation of 12 per cent in 1998, which means the rise in the minimum salary – the basis for calculating wages higher up the pay scale – will show a slight increase in real terms.

The daily base wage was raised to a maximum of 30.2 pesos, or less than $4. Unions had originally sought increases above 20 per cent. *Henry Tricks, Mexico City*

■ CORRUPTION ALLEGATIONS

Berlusconi faces trial demand

Silvio Berlusconi, leader of Italy's centre-right opposition, found himself at the weekend facing a new demand to stand trial – this time over allegations that he corrupted a group of Rome magistrates in the late 1980s.

The Milan "clean hands" group of magistrates that has led many of the allegations of corruption in recent years announced that it was demanding the committal of trial of Mr Berlusconi and of Cesare Previti, a close ally and defence minster in his 1994 government, over the allegations.

According to the district attorneys in Milan pursuing the case, Mr Berlusconi's Fininvest group is alleged to have set up an account for the payment of illegal funds to Renato Squillante, a Rome-based judge, so that he and other judges might favour the company in certain legal cases.

Mr Berlusconi, who already faces trials in three other, separate cases, called the weekend news a "lovely little Christmas gift" from magistrates bent on burting him politically. *James Blitz, Rome*

■ NIGERIAN COUP PLOT

Abacha's deputy arrested

Nigeria's army said last night that a coup plot had been foiled and a number of senior officers arrested, including Lieut Gen Oladipo Diya, deputy to the Nigerian ruler, Gen Sani Abacha.

Nigerian television said that two other officers, former ministers in Gen Abacha's government, Maj-Gen Abdulkarim Adisa and Maj-Gen Tajudeen Olanrewaju, had also been detained. All three officers are from the Yoruba tribe of south-west Nigeria.

The television appealed for people to remain calm and go about their usual business. *Reuters, Abuja*

NEWS: INTERNATIONAL

World Bank eyes hefty Seoul loan

By Bruce Clark
in Washington

The World Bank board will meet tomorrow to approva a loan of between $2bn and $3bn tn South Korea, a country viewed hitherto as a successful "graduate" of the agency which nn longer needed its help.

Conditions and maturities of the loan are still under discussion, but the World Bank said there was strong support from the US, Japan, and western Europe fnr the bank's nffer to provide up to $10bn as a part of a broader financial rescue package.

Helping South Korea was a kind of safety net intended to make sure the country did not relapse into the hardship and poverty which would require sustained assistance from the bank, the World Bank said.

The loan wnuld be "cnnstructed in a apecial way" so as nnt to give tha impressinn that a new lending instrument was being created.

It was made easier by the fact that South Korea had an excellent credit rating with the bank, and its nutstanding debt nf $1.9bn could be increased up to six times without breaking rules on exposure to a single country.

One of the World Bank's priorities in South Korea will be banking reform – a task which the US government has encouraged tha bank, rather than the Internatinnal Monetary Fund, to take on.

In contrast with IMF lending tn South Knrea, which has been called into question by US law-makers of left and right, the bank's help to Seoul is expected to be relatively uncontroversial on Capitol Hill.

From the US government's viawpnint, this is another reason tn channel mnney through tha World Bank *rather than the International Monetary Fund.*

● South Knrea's finance ministry has appointed Goldman Sachs and Salomon Smith Barney to develop and implement a financing strategy for next year, while providing other economic and financial advice.

The twn US investment banks had been critical of South Korea's recent economic pollcy.

Former leaders to be freed

By John Burton in Seoul

South Korea is expected to free two imprisoned former presidents today in an effort to promote national reconciliation following the election last week of Kim Dae-jung, the centre-left opposition leader, as the next president.

Kim Young-sam, the current president, and his successor agreed at the weekend to grant an amnesty to *Chun Doo-whan* and Roh Tae-wnn, whn served consecntively as presidents between 1980 and 1993.

They were convicted last year fnr cnrruption, illegally seizing power thrnngh an army conp, and subsequently massacring pro-democracy prntesters.

A presidential statement said the move, which should help ease conservative mistrust of the new president, was heing taken in the interests of national unity at a time of economic crisis.

Although the amnesty was condemned by some human rights gronps, it was accepted by groups representing families of the victims of the 1980 army massacra in Kwangju, the southern political stronghold of Kim Dae-jung.

IMF WORLD ECONOMIC OUTLOOK

Trade patterns set for big shift

Three months ago, the International Monetary Fund painted a rosy picture for world economic prospects, predicting tha strongest growth rates for a decade this year and next.

Things look gloomier now and the IMF's special update of its World Economic Outlook, published yesterday, warns there is plenty of scope for them to get worse.

The most striking change is in the forecast for Japan, which the IMF now predicts will grow at only 1.1 per cent next year.

This casts more doubt on *the Japanese government's* forecast, finalised only last week, of 1.9 per cent growth in 1998.

Michael Mussa, the IMF's chief economist, dealt a further blow to that assumption when he said the IMF forecast could be revised downward again if problems with business cnnfidence and with the financial system persisted.

Tha growth forecast for South Korea in 1998 is now 2.5 per cent, down from 6 per cent in the previous forecast, though at tha launch of the report, Mr Mussa admitted that even this lower figure was "on the optimistic side".

Thailand is expected tn experience zero growth next year, Indonesia 2 per cent, Malaysia 2.5 per cent and the Philippines 4.3 per cent.

Based partly on the Mexican experience, the IMF's central fnrecast assumes that investor confidence in the emerging market countries will recover fairly quickly, with a turnaround in sentiment beginning during 1998.

Yesterday Mr Mussa said be expected the affected countries to return to average growth levels "in a year or so".

But this may be unrealistic. The report warns the cut in capital flows could be considerably prolonged if policy responses to the crisis are inadequate. It sets up two alternative scenarios to capture this possibility.

In the "worst-case" acenario, capital flows tn emerging markets decline by an extra $100bn, and confidence is not fully restored for five years.

This is combined with a poor policy response in the affected countries, and a nnn-accommodating mnnetary policy stance in the industrial world.

Were this to happen, the effect nn wnrld grnwth wnuld be severe. The IMF estimates that ontput in industrial countries could shrink by as much as ¾ of 1 per cent of GDP compared to the central forecast.

Better ecnnnmic policy, the IMF said, could reduce this effect to just ¼ of 1 per cent. But it expressed doubts about the quality of the response so far, saying that interest rates had risen too little and too slowly in the Asian economies.

The IMF report is the latest in a series of analyses looking at the effect of the crisis on global output. Last week, *the OECD put out its* own report.

This predicted growth in the OECD area in 1998 of 2.9 per cent, compared tn the IMF's projection for a comparable group nf countries of 2.5 per cent. However the OECD said receot events had caused it to reduce its estimate to around 2.5 per cent.

The impact nf the Asian crisis on world growth will be felt primarily through its effect on trade. Twn distinct mechanisms will be at work.

First, the contraction in growth in Asia will reduce its demand for imports. Second, its currency depreciations will make its products *vastly more competitive.*

The IMF attempts tn quantify the overall effect by assuming a cut in imports of 10 per ceot for Indonesia, Malaysia, Thailand and the Philippines plus South Korea and of 5 per cent fnr the other newly-industrialised Asian countries.

After allnwing for multiplier effects, they find the crisis would reduce growth across oll industrial cnuntries of around 0.4 per cent of gross domcstic product, with the effect on *Japan* rising tn 0.8 per cent because of its higher exposure.

Nnrth America and Europe would be badly hit if the crisis spread to nther *emerging markets.*

The IMF estimates suggest the Asian crisis will have a dramatic effect on the pattern of world trade.

The trade balance of the *advanced economies,* it predicts, will turn from a $23bn surplus this year to a $29bn deficit next year.

Asia will have a deficit of just $7bn next year, compared to the $42bn the IMF had predicted in its previous fnrecast. And the politically sensitive US trade deficit will expand by over $50bn to $230bn.

The report identifies the factors which contributed first to the huge flow of capital into the Asian countries, and to the countries' vulnerability to its sudden reversal.

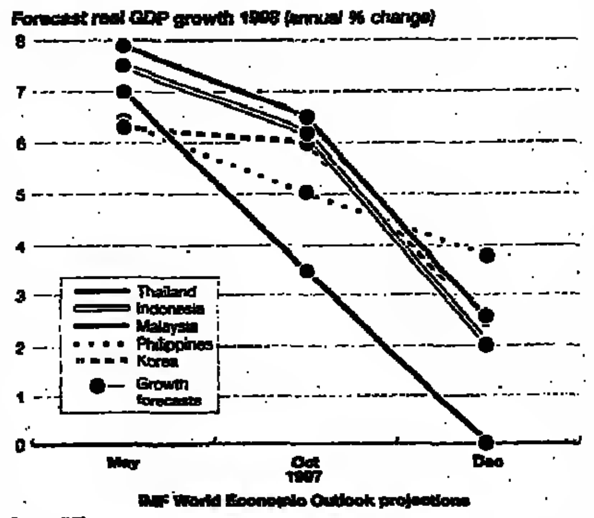
These include the search for high investment yields, the sudden strength of the US dollar, and the weakness of their financial systems.

It emphasises that pressure on the Asian currencies cane mainly from domestic investors and residents, and that speculators appeared to have "played a relatively limited role in the crises".

Vicki Barnett

Things just got gloomier

Forecast real GDP growth 1998 (annual % change)



Source: IMF

Cabinet reshuffled in Burma

By Ted Bardacke
in Bangkok

Burma's military regime annnunced a surprise cabinet shake-up at the weekend as authorities launched a crackdnwn nn illegal currency traders and began corruption investigatinns against former ministers.

The changes in eight ministries, including finance, national planning, energy, telecommunications and transport, come in the waka of a currency crisis.

Last week, Burma's currency, the kyat, fell tn a record low of Kt380 to the US dollar on the semi-official black market, dnwn from 170 a year ago and far below the nfficial exchange rate of Kt6 to the dnllar. Autbnrities appear to have clnsed the door on imports and arrested a number of currency traders, seeking to halt demand for US dollars.

Equally disturbing has been the loss nf parity between foreign exchange certificates (FECs) – a dollar-like note that ordinary Burmese can legally hold which has become the country's defacto commercial currency – and the US dollar.

The cabinet reshuffle moved Gen David Abel and Gen Win Tin, twn military men, out of the ministries of natinnal planning and finance respectively. They were replaced by two civilians, Soe Tha, former telecommunications minister, and Khin Maung Thein, former energy minister.

The reshuffle follows last mnnth's reorganisation of the 19-member military junta, which changed its name to the State Peace and Develnpment Cnnncil (SPDC) from the State Law and Order Restoration Council (Slorc). The top four leaders of the Slorc remain at the head of the SPDC.

The junta abolished a 14-member advisory board staffed with generals ousted in last month's re-organization.

Government officials say some of these ex-officials are targets nf corruption investigations and diplomats say a number of them are under house arrest.

Pakistan to get new tax chief

By Farhan Bokhari
in Islamabad

Nawaz Sharif, the Pakistani prime minister, is to appoint a Pakistani expatriate banker tn head the country's tax collectinn agency, after growing concern over its failure tn achieve revenue targets.

The decisinn is unprecedented in a country where the Central Board nf Revenue (CBR), the tax collection agency, has always been headed by a bureaucrat.

Moeen Khan, a banker working for Standard Chartered bank in Londnn, is expected to take charge later this month.

During the first fiva months of the financial year the CBR collected less than a third of its 12-month collectinn target nf PRs324hn ($7.36bn).

Mr Sharif's decision is likely to be resented by bureaucrats who are certain to see it as a move to marginalise their influence in running the country's financial affairs.

Earlier this year, be appointed Shaukat Tarin, a former Citibank executive, to become the president of Habib Bank, the largest public sector bank, and Zubyr Soomro, also a former Citibank executive, tn he the president of United Bank, the second largest public sector bank.

Mr Sharif said in an interview be was prepared to give Mr Khan complete freedom as chairman and make the board fully independent from outside influence.

Many businessmen say that Mr Sharif's decision this year to lower income tax rates to a minimum rate of 5 per cent ond a top rate of 20 per cent, from a previous range of 10-35 per cent, had failed to inspire tax payers to pay their taxes.

There are nnly 1m income tax payers in Pakistan nut of a population nf 140m. Businessmen say they still avoid paying tax on large portions nf their incomes for fear nf becoming targets nf a witch-hunt by corrupt tax officials, nnce their incomes are accurately declared for tax purposes.

ANC endorses smooth switch to new generation

By Roger Matthews in Johannesburg

Leaders of the African National Congress were in self-congratulatory mood yesterday after South Africa's dominant political party completed a five-day conference in Mafikeng with few signs of dissent and with power having been passed smoothly to a younger generation.

Thabo Mbeki, the new ANC president, said those who had predicted a bitter civil war had been disappointed. "Those predictions were nothing more than the empty wishes of the ANC's enemies," he said after the party had unanimously endorsed the government's handling of the economy. "At the end of oor conference we have agreed without dissent that the struggle continues and victory is certain."

Tito Mboweni, labour minister, said he had been pleasantly surprised that the debate on the government's economic policy, with its strong emphasis on fiscal discipline, had not been more vigorous. The ANC's trade union and communist allies have repeatedly condemned the policy and called for greater social spending to combat the worst effects of the apartheid system. However, the conference agreed that the policy should be "constantly reviewed, monitored and adjusted".

Mr Trevor Manuel, the finance minister, who earlier was reported by election officials not to have been nominated to the national executive committee, won re-election, as did other most other cabinet members. Winnie Madikizela-Mandela, the former wife of President Nelson Mandela, was also re-elected, coming in 15th out of the 60 successful candidates.

Although Mrs Mandela gained fewer votes than three years ago when she was elected in fifth place, she remains influential within the party, in spite of the powerful allegations made against her during recent hearings hy the Truth and Reconciliation Commission. And with the ANC having launched the start of the campaign to increase its parliamentary majority in the 1999 general alection, Mrs Mandela can be expected to play a important role in mobilising party support.

Mr Mbeki yesterday brusbed aside criticism of Mr Mandela's five-hour speech on Tuesday wben the retiring ANC president strongly attacked whites who, he claimed, were seeking to cling on to their privileges and block the transformation of South Africa. "Confronted witb the truth, maybe whites feel threatened, but I think it was a truth that needed to be told," said Mr Mbeki.

Earlier, President Mandela said again that for his remaining 16 months in office he would concentrate on ceremonial duties. He thanked the ANC for the "love and respect" he had been given.

Jospin ushers in era of African fraternité

By Robert Graham in Paris

Lionel Jospin, France's premier, has ushored in a new era in relations with its former African colonies, calling for "fraternal not paternal" ties.

Mr Jospin made the comments in Mali yesterday, winding up a five-day trip that also included Morocco and Senegal. It was the first time he had been to Africa since assuming office six months ago.

Although President Jacques Chirac bas formal responsibility for foreign policy, Mr Jospin appears determined to underline that his Socialist-led adminiatration intends to turn a new page in France's relations with Africa as a whole but in particulsr with the Franch-speaking nations.

He intends to leave behind the paternalistic role played by France, which made little effort to encourage democracy or end corrupt government.

At the outset of his administration, he decided for budgetary reasons to cut military spending ou French forces based in Africa and put a stop to any idea that Paris could continue to play the gendarme of Africa, keeping friendly regimes in power.

Frencb troops levels in Africa have begun to be cut, and by next year will be almost halved to some 5,000.

In the future, troops will be rotated, not posted with dependants for long terms of duty. Generous African allowances (more than double home pay and higher than for troops serving in Bosnia) have been slashed.

The cut in French forces is part of a broader scheme agreed in outline with Britain and the US to push African nations to be responsible for regional peacekeeping.

Apart from the switch in military policy, Mr Jospin is anxious to redefine the role of French overseas co-operation to enable projects to be monitored more carefully.

The overseas co-operation minlstry is likely to ba brought under the direct control of the finance or foreign ministries. The tighter monitoring of aid also heralds greater emphasis on self-reliance by former colonies. Mali, for instance, was pressing for cancellation of its FFr1.6bn ($270m) debt but Mr Jospin agreed only to waive interest.

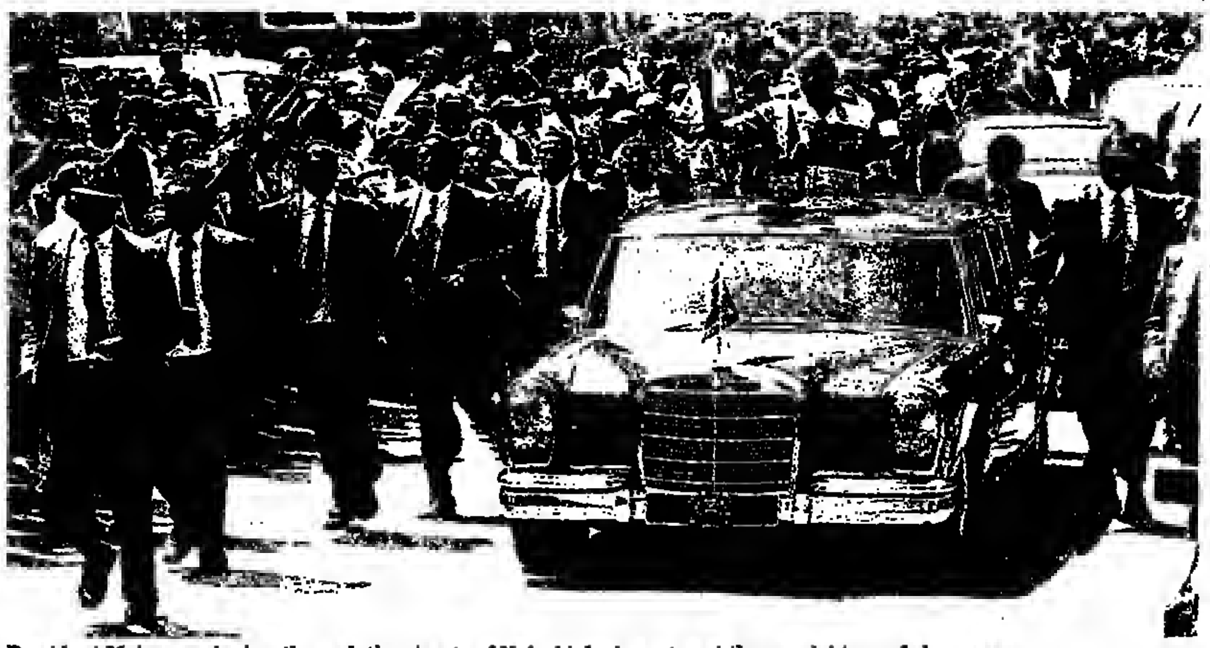
The government is also paying more attention to immigration issues. On the back of new immigration legislation just approved, there will be more emphasis on controlling how visas and work permits are issued to reduce the flow of illegal immigrants into France and so avoid enforced repatriations. In Mali this has been a source of great friction.

France's paternalistic policy of the past three decades has been exposed as out of tune with tha rapid changes in South Africa and the Great Lakes region. In October Hubert Védrine, the foreign minister, during his first African tour made a point of first visiting an English-speaking country, South Africa.

However, the policy change is expected to evolve slowly and President Chirac is likely to insist on maintaining close personal links with French-speaking African leaders. Only last week Denis Sassou Nguesso, who returned to power in Congo (Brazzaville) two months ago, was in Paris and dined with President Chirac.

Kenya faces 'lost year' in growth and investment

Michael Holman reports that drought, flood and economic mismanagement point to a tough time in 1998



President Moi campaigning through the streets of Nairobi during a 'meet the people' tour of slum areas Reuters

Election manifestos the world over tend to be selective with tbe facts. But when Kenya's ruling Kanu party boasts of its "excellent economic performance", a blindspot is in danger of turning into a black bole.

Kanu's slick 64-page sppeal to the electorate ahead of the election on December 29 fails to mention a row last August that shook the economy – the international Monetary Fund's decision to suspend its $215m loan agreement to Kenya because of the government's failure to tackle corruption.

As the World Bank and bilateral donors followed suit, it precipitated as grave a financial crisis as any the country has experienced. Aid fell, the Kenyan shilling plunged and interest rates climbed, forcing Musalia Mudavadi, the finance minister, to raise taxes and cut spending.

But many analysts believe that the worst is yet to come. Pessimists say the post-election year could be one of the toughest Kenya has experienced. Even optimists acknowledge that 1998 will be what one called a "lost year" when it comes to growth and investment.

Most forecasters agree Kenya will be lucky to manage 2 per cent growth in gross domestic product in 1998, well below the annual population increase of at least 3 per cent, while the budget deficit is likely to be more than double the target of 1.7 per cent of GDP.

"Anyone expecting to wake up on tha day after the election with the hope that things will settle down and life will get back to normal is in for a rude shock," says Robert Shaw, a local businessman and member of the opposition Safina party.

The government, which granted a series of public sector pay rises in the run-up to the elections, may live to regret its generosity.

"Over tbe next seven months tbe government needs to find at least another Ks10bn ($153m) to meet the extra budgetary demands brought about hy pay increases, equivalent to 20 per cent of the public sector wage bill," says Mr Shaw. Campaign spending by the Kann party may account for another Ks2bn in state funds, economists say.

A further unbudgeted pay award may be necessary if a nurses' strike is to be settled, while the combination of drought and then flooding caused hy the El Niño weather phenomenon will hit food production.

Meanwhile, the tourist trade, the country's largest single foreign exchange earner, is still struggling to recover from the effects of ethnic clashes at the coast – expected to knock as much as $100m off 1997 receipts, according to one estimate.

Further tax increases, including levies on fuel and higher value-added tax, can be expected, along with further cuts in recurrent spending and the capital budget.

Kenya is in no state for such punishment.

The economy is already stretched to the limit by the demands of a population that has douhled to 29m since President Daniel arap Moi took office in 1978.

A cholera outbreak in Nairobi slums, erratic water and power supplies, poor telephones and potholed roads are signs of a cracking infrastructure, while fewer than half the 500,000 job seekers who come on the market each year can expect to find work.

If Kenya is to cope with its formidable problems, it requires a Herculean effort: "The economy will have to grow by over 8.2 per cent a year over the next 25 years to be able significantly to reduce unemployment and poverty," acknowledges the nstional development plan.

Many analysts see this target as little better than a pipe-dream, though John Ngumi of Nairobi's Loita Asset Management takes an upbeat view of medium-term prospects, while admitting he has already discounted next year.

"I think the gloom has been overdone," he argues, pointing out that the government seems to have learnt the lesson of the last election in 1992.

Money supply soared by 44 per cent in less than a year as Kann spent its way to victory in Kenya's first multi-party contest.

A massive issue of treasury bills st rates as high as 80 per cent subsequently pushed annual inflation to 64 per cent.

This time round, Micah Cheserem, the Central Bank governor appointed in the wake of the 1992 disaster, is keeping money supply under tight control, limiting its growth to 7.6 per cent in tbe first 10 mouths of this year, while foreign exchange reserves provide a bealtby six to seven months' import cover.

There is also praise for Mr Mudavadi, who has brought the budget deficit down from 11.4 per cent of CDP in 1992-93 to 1.3 per cent in 1995-96, while inflatiun bas been brought to around 8 per cent.

Optimists also point to rising trade with neighbouring Tanzania and Uganda, and the opening up of eastern Congo, formerly Zaire.

They argue that tourism will recover and foreign investor confidence will return once the political turmoil associated with elections is out of the way.

But optimists and pessimists alike agree that fundamental to a revival of the economy is a new IMF agreement and a resumption of bilateral aid, quietly placed on bold by donor governments.

An IMF team is expected to visit Nairohi next month. Yet even on the most optimistic scenario the earliest date for s deal would be August, and this requires the government convincing the IMF it bas carried out a detailed list of "prior actions" aimed at wiping out graft.

Progress so far is modest. Although the government has set up the anti-corruption authority it promised, IMF officials are far from convinced that it will have the independence and clout the job demands.

But the acid test of Kanu's manifesto commitment to clean government will be the handling of the notorious Goldenberg scandal of the early 1990s.

Kenya lost up to $400m as a result of a series of financial scams which are believed to bave involved top government officials and leading politicians, none of whom have been brought to book.

According to the Kanu manifesto, the government will "vigorously tackle the menace of corruption". The next few months will show whether Mr Moi really means it, or wbether it is a campaign promise that will disappear.

'Oil-for-food' deal for UN chief

Iraq draws up new aid plan

By Laura Silber in New York

Iraq said yesterday it had completed a new plan for the distribution of aid under the "oil-for-food" deal, which it will submit this week to Kofi Annan, the United Nations secretary general.

The Iraqi trade minister, Mohammed Mehdi Saleh, said Iraq would resume pumping oil once Mr Annan had approved the proposal, which was worked out with UN authorities.

Last month Iraq said it would suspend the pumping of oil until the UN approved a new plan for the distribution of food and medicine.

Under the UN deal, Iraq can sell $2bn of oil every six months in exchange for humanitarian supplies. Mr Annan earlier this month recommended an increase in the amount of oil to ease the plight of Iraq's population, hard-hit by seven years of sanctions.

Iraq on Saturday accused the US of "keeping the Security Council busy with artificial questions" to postpone the lifting of sanctions.

A statement issued after Saddam Hussein, Iraq's president, met senior aides said Baghdad "will not remain bandcuffed before this repeated American ploy to win time and keep postponing the subject [of sanctions] from one month to another and one year to another".

It was the first statement by Iraq's leadership since Russia last month intervened to ease a row over UN weapons inspections. While UN inspectors have returned to Iraq, Baghdad is still ignoring UN demands for access to sites it calls "sovereign" or "presidential".

The US ambassador to the UN, Bill Richardson, yesterday called for full access to all suspected weapons sites and reiterated Washington's position that sanctions would remain in force until Iraq complied fully with UN demands to dismsntle its weapons of mass destruction and their production facilities.

Iraqi newspapers yesterday denounced Richard Butler, tbe cbiaf UN arms inspector, as a "liar" after be said UN inspectors had evidence that Iraq was hiding weapons in so-called presidential sites.

"By inaccurate, subjective and biased condnct, Butler provided the US with s new excuse to continue its bostile and feverisb activities against Iraq," said Al-Thawra, tbe newspaper of the ruling Baath party.

German decline slows drug sales growth

By Daniel Green

World retail pharmacy purchases: 12 months to October 1997 ($m)

	US	Japan	Germany	France	Italy	UK	Spain	Canada	Neths	Belg.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	420	411
Alimentary/Metabolism	10,774	7,126	2,386	2,126	1,329	1,447	784	627	408	265
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	295	312
Anti-infectives	6,727	5,153	1,237	1,634	1,203	464	550	295	127	230
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	201
Musculo-skeletal	2,484	3,029	678	654	488	443	244	174	65	91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	110	86
Others	10,147	13,596	2,653	1,830	1,556	1,010	800	663	263	250
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,846
% Change*	14	0	-1	4	4	8	8	8	6	4

*Changes exclude currency movements. Source: IMS International

A slowdown in drug sales in Germany following changes in the way medicines are paid for beld back world drug sales growth in the 12 months to October 1997.

Patients in Germany have had to pay a greater contribution towards the cost of their drugs since the summer. German drug sales for the year to October fell 1 per cent to $14.8bn, excluding currency movements, according to specialist market research company IMS International.

But the growth rate for the world's top 10 developed market held at 7 per cent, to $167.2bn, thanks to strong US and French growth.

US sales rose 14 per cent to $66.5bn, driven once again by demand for nervous system drugs including Prozac, the antidepressant made by US company Eli Lilly, and a new generation of schizophrenia drugs.

Sales in France grew by 4 per cent, a higher rate than in recent months, to $14bn. Sales in Italy grew by the same proportion to $8.6bn.

UK sales continued to grow rapidly, driven by doctors' enthusiasm for the latest cholesterol lowaring drugs. Total UK sales grew 8 per cent to $7.6bn, with heart drug sales up 12 per cent to $1.5bn.

Sales in Japan continue to be affected by government measures to limit spending on medicines earlier this year. Sales were unchanged at $43.1bn.

By medical area, the success of antidepressants and schizophrenia drugs in several markets pushed up total sales of nervous system drugs by 14 per cent to $23.4bn. It is the only sector to show double-digit percentage growth over the year.

The biggest single sales area is heart drugs, wbere sales rose 6 per cent to $33.9bn. Although cholesterol drugs are helping growth, the sector includes high blood pressure drugs, wbere sales have been hit hy heavy competition.

Digestive system drugs have also been hit by competition, especially following the patent expiry on Zantac, the ulcer drug made by UK company Glaxo Wellcome that was the world's best-selling medicine as recently as two years ago. Digestive system drug sales rose 6 per cent to $27.3bn. Sales of anti-infectives and respiratory drugs each rose 7 per cent to $17.6bn and $15.6bn.

The fortune of both these sectors depends heavily on outbreaks of influenza in the northern hemisphere, so the next few months may see the annual total change rapidly.

US insurers limit millennium bomb losses

By Christopher Adams, Insurance Correspondent

The US insurance industry has moved to protect itself against losses arising from the millennium bomb by drawing np special exclusion clauses.

The move follows similar action in the UK, where insurance companies last month decided to exclude such risks from standard policy wordings, and has prompted immediate protests from commercial insurance buyers.

The millennium bomb is a problem arising from the inability of some computer software to distinguisb between this century and the next. At the turn of the millennium, many computers and machines could malfunction, causing billions of dollars in damage to business.

Insurance regulators in 25 states across the US have approved wordings for general liability policies excluding any claim for losses related to the failure of computer systems to recognise dates during 2000 and beyond.

"This kind of problem is not a fortuitous event," said David Oswald of the Insurance Services Office, whicb has drawn up the clauses. "There is no loss experience for this either, so nothing is built into standard rates. If anybody wants coverage for this, we think it is only proper that something extra be charged."

For small businesses and retail ontlets, the additional cost of securing cover would probably be minimal, he said. But large multinationals could face additional expenses running to millions of dollars.

Insurance brokers have criticised the wordings, saying the exclusions were too broad. Todd Muller, assistant vice-president at the Independent Insurance Agents of America, said brokers were also concerned that the standard exclusion clauses were unfairly aimed at smaller businesses, which did not usually negotiste individual terms.

He compared the latest move with the "excruciating" experience that followed exclusion of pollution liability several years ago, when insurers were accused of refusing to cover companies which had no identifiable exposure to such s risk.

Canadian central banker's dream turns into nightmare

Scott Morrison on the vigorous attack on the value of the C$ in currency markets

Shortly after increasing overnight interest rates in October and noting that long-term rates had subsequently dropped, Gordon Thiessen, the Bank of Canada's governor, said he was living a central banker's dream. The Canadian economy was poised for snstained growth. Inflation was in check and the currency was set to appreciate.

The dream has quickly turned into s nightmare for Mr Thiessen, as speculators have driven down the Canadian dollar in recent weeks. The currency came under attack again on Friday, falling almost half a cent to 69.65 US cents, before closing at 69.88, an 11-year low, almost 4 per cent down since October. The central bank intervened but surprised traders by not raising its benchmark interest rate to keep the dollar above the 70 US cents level.

Many observers are perplexed about the vigorous run on the dollar at a time when Canada's strong economic fundamentals might be expected to support the currency. And after the central bank failed to support the dollar with another rate increase on Friday, analysts are unsure what lies ahead.

To an extent, Canada's currency turmoil is partly of the central bank's own making. By clearly signalling last summer that it would tighten monetary policy, the bank raised expectations that Canadian short-term rates would move more closely into line with higher US levels. Investors were willing to accept lower Canadian yields earlier this year because they expected the currency to sppreciate. But the dollar failed to strengthen and Mr Thiessen delayed raising rates, sending investors *en masse* toward US short-term securities and sparking bearish sentiments about the dollar.

The bank also appears to have erred by creating the perception that it had drawn a line in the sand st 70 US cents to the Canadian dollar. It has repeatedly intervened and raised its overnight rates twice in the past month as the currency sank close to the key level. The perception has only prompted speculators to test the Bank of Canada's resolve, witb overnight rates now standing at 4.5 per cent. "No central bank in the world can defend against a concerted attack of global capital," said one Toronto economist.

The Asian crisis has also hurt the dollar, as lower Asian demand has led to a sharp drop in Canadian lumber and pulp exports to the region. The fall-off in demand is also putting downward pressure on commodity prices. Canada's shrinking trade surplus fell to C$581m ($410m) in October, the lowest monthly trade surplus in four years. Skittishness increased recently when Canada's third-quarter current account deficit swelled to C$25.5bn on an annualised basis, or 3 per cent of gross domestic product.

The currency turmoil has damaged the central bank, which only recently predicted the Canadian dollar would appreciate and the Asian crisis would have a minimal impact on Canada.

The bank is clearly concerned that downward momentum on the Canadian dollar could spiral out of control and require more drastic rate increases over the long term. And a weaker Canadian dollar would increase the cost of imported machinery and equipment just as Canadian companies have embarked on an investment spree.

A growing number of economists, however, argue that the central bank should allow the Canadian dollar to depreciate until it finds a support level, seen by some at about 68 US cents over the short term.

Those sdvocating a hands-off approach say a weakened dollar would make Canadian exports more competitive at a time when many key customers in Asia cannot afford more expensive goods and commodities. They note that raising rates to support the currency would only stifle domestic economic activity and push up the already stubbornly high unemployment rate. That would negate the sacrifice of Canadians while the bank tightened monetary policy to curb inflation. Moreovar, the threat of increased short-term price pressure as a result of a weaker dollar seems minimal because of current low inflation and the remaining slack in the economy.

The Bank of Canada "can't have any reasonable expectations of economic growth of 4 per cent while defending the Canadian dollar and in today's economy, growth is more important than the Canadian dollar," said Jeff Rubin, chief economist at CIBC Wood Gundy.

The key question is whether the Bank of Canada is able or willing to weather the storm. Many observers predict it will try to ride out the holiday season by intervening in currency markets to temper the dollar's decline. But speculators have essentially declared open season on the Canadian dollar and many observers said it was only a matter of tima before the bank would be forced to respond by raising its benchmark rate.

NEWS: UK

Ministers' letters suggest Wales did not make higher bid to attract Taiwanese factory

Doubt cast on rival investment claims

By Juliette Jowit in Cardiff

Doubt has been cast on claims by north-east England that it was unfairly outbid by Wales in efforts to win a £30m ($50m) Taiwanese investment.

Recent correspondence among senior politicians in the governing Labour party suggests that the successful aid package offered in Wales for the Acer group factory was slightly lower – rather than much higher – than the rival bid from north-east England.

Wales and north-east England are the UK's most successful regions at attracting inward investment from east Asia. A report on competition among UK regions is due to be published by the House of Commons trade and industry committee today.

The inquiry was ordered following complaints from north-east England about the Welsh Development Agency and the Acer project.

The Northern Development Company, the north-east agency, claimed Acer had been lured away from the north-east by a last minute higher offer from Wales. This, and a similar move to win Europe's biggest inward investment project – the 6,000-job £1.7bn LG Electronics plant – were made possible by "unfair" play on behalf of the Welsh, it alleged.

Ron Davies, the chief minister for Wales in the British government, has written about the dispute to Gordon Brown, the chancellor of the exchequer. Mr Davies is understood to have said that the claims were untrue and that the successful Welsh Development Agency bid was lower than its north-east rival.

After a higher but unsuccessful bid on behalf of west Wales, the WDA made a second offer for a site near Cardiff, the capital, about £3m-£4m less than NDC's bid. The total value of the successful package of land, buildings, and training is reported to be £8m.

The NDC has since repeated its claims. "When we last negotiated with Acer it was less than offered by Wales," an official said. The agency said it did not want to comment further on the row, which has recently provoked fears that the UK's image is being damaged.

Last week James Turner, international managing director for the WDA, said potential and existing overseas investors had complained about being used as "weapons" in the investment dispute.

In another letter to Martin O'Neill, chairman of the House of Commons trade and industry committee who led the inquiry, Mr Davies also alluded to the lower offer for Acer. "The details of the assistance offered to the company must of course be treated as commercially confidential, but I will say that it is less than what I understand is being offered elsewhere in the UK," he said.

The Welsh office is confident that Mr O'Neill's report will be "helpful" to Wales.

Mr Davies also refers to Acer's comment last week that it chose the Welsh site not because of the grant but because of its location and workforce.

Hampel to affirm Cadbury's corporate guidelines

By Jane Martinson

The Hampel committee on corporate governance is set to affirm its support next month for the conclusions of the earlier Cadbury committee in response to criticism of its draft report. It is also expected to define its view of independence for non-executive directors.

Its final report is to be combined with two previous reports on corporate governance in a "super-code" policed by the London stock exchange. In the final report due next month company boards will be advised to identify publicly their independent non-executive directors and those able to take a leading role.

The committee is also expected to maintain its stance that boards should decide which directors are independent, which could upset some corporate governance activists. The committee believes this is the most practical way of defining independence and hopes a public declaration will prompt fuller debate among shareholders.

There were complaints that Hampel's preliminary recommendations would water down changes made after previous corporate governance reports, notably that of Sir Adrian Cadbury. As a result, the Hampel report will spell out its support for earlier changes and will reiterate Cadbury's definition of independence. This is broadly that an independent non-executive should have no personal or financial links to the company. The committee, which considered strengthening this definition, was surprised at the criticism of its preliminary report. It had assumed acceptance of the earlier reports.

The committee is understood to have rejected the suggestion that a lead non-executive director is necessarily divisive.

Its report will also stick to the idea of laying down principles rather than compliance. A person close to the committee said: "It appears that Hampel is going to stick steadfastly to creating a framework where companies and shareholders will be left to organise themselves rather than the committee telling them what to do in detail. The onus will be on shareholders to take corporate governance a lot more seriously."

The final report, due towards the end of January, is expected to represent a shift in emphasis rather than fundamental changes.

Other proposals include a recommendation that companies describe the composition of the board and justify any departures from perceived best practice.

BSE leaves beef farm saddled with debt

Devalued stock brings one of south-west's biggest producers close to ruin

Thousands of British farmers have said they fear the threat of bankruptcy. Last week the fear began to be realised – not just for any ordinary smallholder – but for one of the biggest beef producers in south-west England.

On Thursday, the bank's valuers arrived at Richard Haddock's farm in the county of Devon to discuss whether there was any way to keep the debt-ridden business going.

Mr Haddock's stock has been heavily devalued by selling cattle to pay off loans, and by the lower prices of the government's compensation scheme. With £300,000 ($495,000) owing to the bank, Mr Haddock says he and his wife Caroline are "in negative equity".

The thinning herd is generating less cashflow and there appears little hope of immediate recovery.

Last year the bank held out, in spite of a £100,000 drop in income, which turned a £25,000 profit in 1995 toto a huge loss. Now the pressure is mounting. "At the end of the day the bank could force us to sell and they'll recoup their money and I and my wife would lose everything."

Mr Haddock, 40, moved into farming full-time in the late 1980s. On the bank's advice he took a long-term tenancy on his farm and invested his money in building up a herd of 1,000 cattle.

During the next five years £500,000 was invested in refurbishing the delapidated farm – half funded by the bank. In November 1995, as the farm returned its first profit, the BSE crisis struck.

The Haddocks sold 100 animals to stave off their most pressing debt, losing about £50-£60 a head on the autumn price. Cattle that could not be sold lost condition during the hard winter, and 13 – worth at least £500 each – had to be put down.

Apex

One man and his herd: Richard Haddock says debts and devaluation of his livestock have left him with "negative equity"

The government will today unveil an assistance package for farmers affected by the BSE crisis, while formally announcing to the Commons a public inquiry into past handling of the affair, Liam Halligan writes.

The package, expected to amount to less than £100m, is unlikely to satisfy farmers' groups, who have argued that compensation of up to £1bn is warranted by the combined negative impact of BSE and the appreciation of sterling. Leading medical experts yesterday backed the government's ban on sales of beef on the bone, which came into effect last Wednesday, in spite of mounting public criticism of the decision. Sir Kenneth Calman, the government's chief medical officer, insisted the ruling was necessary because a "small" risk to health remained. The British Medical Association council also backed the government.

Animals that could be sold fetched on average £150 less per head than "pre-BSE", and it cost an extra £15,000 to feed animals caught in the backlog for the scheme to slaughter cattle over 30 months old.

The compensation scheme then revalued each cow at £311 – compared with £800-£1000 – wiping two-thirds off the value of the Haddocks' stock.

This year, losses have been reduced by about half – but the business, now running at 800 cows, has been pared to the bone. "We paid off a number of staff, kept the vets' bills to a minimum, sold off machinery when necessary, and cut right back ourselves. My wife had to take on bed and breakfast [paying guests] to keep everything afloat," he says.

The Haddocks are not alone in looking for alternative income. A recent survey in Devon said more than half of all farmers who take in paying guests are dependent on the extra income.

However, the options for diversification are limited: the farm is "set up" for beef. Dairy or sheep quotas and crop subsidies are expensive and difficult to obtain. Researchers from nearby Exeter University estimate that lowland beef farmers' income will fall by more than 80 per cent next year, leaving an average profit of £1,600 – before paying wages.

Mr Haddock says he and other younger farmers are more immediately affected because they haven't "put the fat on the bones" of their businesses. Older farmers, however, have seen their savings decimated.

In spite of being a relative newcomer, Mr Haddock is Devon vice-chairman of the National Farmers' Union, and was last week elected a national delegate. The collapse of such a large farm would not only be economically disastrous for smaller producers and other agricultural businesses, but also a blow to local morale.

His position as a big producer might offer short-term protection, but Mr Haddock knows he is not invincible.

"There's a lot of pressure for me to keep going, but there's going to come a point before long when we have got no choice but to go down."

Juliette Jowit

UK NEWS DIGEST

Property at three-year high

Net new investment in property totalled £143.5m in November, the highest monthly level since December 1994, according to Investment Property Databank (IPD), the industry's UK performance measurement service. In November the all property total return was flat at 1.5 per cent, with a 0.1 percentage point rise in the capital growth rate offset by a corresponding reduction in rental income.

For the 12 months to November, the total return to the IPD Monthly Index stood at 15 per cent while the return for 1997 to November was 13.7 per cent. The retail sector was the best performer in November with total return of 1.6 per cent and rental value growth of 0.7 per cent.

Total return for the year to November rose to 16.3 per cent against 15.9 per cent for the 12 months ended October. The office sector rose by 1.5 per cent, its biggest monthly improvement since April 1994. *Norma Cohen*

■ ELECTRICITY

Regulator attacks moratorium

Professor Stephen Littlechild, the electricity regulator, has attacked the government's moratorium on the building of new gas-fired power stations in the UK, calling it anti-competitive. He said it could "limit competition" in the longer term. The moratorium, announced at the beginning of the month, has been inspired by the ruling Labour party's wish to protect the livelihood of coal-miners supplying coal-burning generators. No length has been established for the moratorium but it is expected to last until the summer.

Offer said if the moratorium lasted too long then Prof Littlechild would examine other ways of making National Power and PowerGen, the main electricity generators, more competitive. This might include the sale of more plants – in addition to those they were forced to sell last year. Prof Littlechild confirmed that it would be "increasingly difficult" for the industry to hit the April target date for introducing competition to retail supply. The delay is likely to anger gas companies that plan to enter the electricity retail supply market. *Katharine Campbell*

■ MINIMUM WAGE

Retailers warn on pay costs

A national minimum wage of £3.50 an hour or above would lead to wage inflation in retailing, and higher prices for consumers, as pay differentials between workers would have to be maintained, according to a survey presented to the independent Low Pay Commission by the British Retail Consortium.

The study estimates that a £3.80 an hour minimum wage would increase annual wage inflation by at least 1 per cent. This would be 3.8 per cent if the rate was £4.10 an hour. The survey says that the total cost to the industry of a £4.40 minimum wage would be £203m with £96m in direct and £107m in indirect costs. At £3.80 an hour, the total cost would be £22.3m (£10.8m in direct and £11.5m in indirect costs).

The survey, carried out in October, was based on responses from retail establishments with a £62bn combined annual turnover (37 per cent of UK sales) and representing 658,000 staff (29 per cent of total retail employment). *Robert Taylor*

■ ULSTER

Ahern urges release of prisoners

Suggestions from Bertie Ahern, prime minister of the Republic of Ireland, that the UK should match the release by the republic on Friday of Irish Republican Army prisoners, have failed to win support from Tony Blair, the UK prime minister, republic officials indicated yesterday. The two prime ministers met at a soccer match in north-east England yesterday and Mr Ahern had said earlier in the day that he would like to see similar action towards anti-republican "loyalist" prisoners held in UK jails. There was no statement from Blair aides.

The Progressive Unionist party, political wing of the "loyalist" Ulster Volunteer force, has threatened to quit the Northern Ireland peace talks over the release of IRA prisoners. Mr Ahern said on Friday after the release of nine IRA men before completion of their sentences that his government intended to release more next year.

Box office success buoys revival of film industry

By Alice Rawsthorn

The film industry has continued its revival in 1997 with the amount of money invested to UK film production rising to £676m, four times more than five years ago.

A total of 124 films were produced in the UK during 1997, compared with 120 with an investment of £655m last year, according to a survey by *Screen International*, the film industry magazine.

Once dismissed as a declining sector, the film industry has staged a dramatic recovery in the mid-1990s. The number of British-made films has risen, buoyed by box office successes such as *Four Weddings And A Funeral*, *Trainspotting* and, this year, *Bean* and *The Full Monty*. Foreign investment in UK production facilities has also risen. The biggest spenders have been the Hollywood movie studios which, faced with spiralling costs and a shortage of production capacity in the US, have based several blockbusters in the UK.

Screen International estimates that 10 US-financed films were shot in the UK in 1997, the same number as last year. This year's US-funded productions included the first of George Lucas's three *Star Wars* prequels, Stevan Spialberg's *Saving Private Ryan*, and Stanley Kubrick's *Eyes Wide Shut*, starring Tom Cruise and Nicole Kidman.

There is concern that sterling's recent strength against the US dollar may deter Hollywood producers from choosing the UK as a production base in 1998. Whenever the pound has risen against the dollar in the past, the number of US productions has dried up.

However, the negative effect of higher UK production costs may be tempered by the growing need for US movie studios to appeal to an international audience, at a time when box office receipts from outside North America are rising rapidly.

Several US film groups have invested in expanding their UK operations during 1997. Miramax, a subsidiary of the Walt Disney group, poached two senior Channel 4 executives this autumn and has given them a $50m (£30m) production fund.

Employers face fines and imprisonment for late payments

Clampdown on pensions delays

By Jonathan Guthrie in London

A government watchdog plans to bring high-profile criminal prosecutions in 1998 against employers who pay pensions contributions late. Convicted company directors face heavy fines and unlimited prison sentences.

The Occupational Pensions Regulatory Authority (Opra), polices employer-run pension schemes with 11m members and £600bn ($990bn) in assets. It plans to target employers with the worst record of late payment to make an example of them.

Slowness in handing over to pension schemes contributions which have been deducted from salaries is widespread among companies with cashflow problems. However it is illegal under the 1995 Pensions Act, the main provisions of which were introduced in April.

"Directors who persistently hang on to contributions have some nasty shocks coming to them," said John Hayes, chairman of Opra. "I am not prepared to let them use employees as their bankers."

In a related move Opra will step up its use of statutory powers to fine companies, directors and pension fund trustees. It can fine businesses up to £50,000 and individuals £5,000 for civil breaches of the Pensions Act. These include inadequate record keeping and failing to hold pension fund and company money to separate bank accounts.

"We are now looking at many cases with a view to imposing penalties," said Mr Hayes. "The impact will be felt in the first quarter of next year."

Opra will publish the names and offences of some of those it fines in special reports which will have immunity from prosecution under the libel laws. The policy mirrors the Treasury's campaign of "naming and shaming" insurers slow in identifying and compensating consumers who have been mis-sold personal pensions.

Opra first received powers for policing the Pensions Act in April. Until October it adopted a softly-softly approach, merely monitoring and advising schemes, which led to accusations that it was a toothless watchdog. It now appears determined to prove these wrong.

THIS WEEK

View of a rough cut of history

DATELINE

Bonn: The city is gearing up for the end of an era as Germany's political centre prepares to move to Berlin, writes Ralph Atkins

The "Bonn republic" is drawing to a close. Next year, plans should be well advanced for the move to Berlin in 1999. Mentally, the boxes are already being packed this Christmas.

An exhibition running until the end of the month at Bonn's Rheinisches Landesmuseum has begun to answer the question of how the Bonn republic will be remembered. More than just the memories of a veteran, the show by renowned press photographer Josef "Jupp" Darchinger, 72, is offering a rough cut of 50 years of history – a period of unusual political stability and economic affluence for Germany.

Most striking for those who live and work in Bonn is how small a role the university city on the Rhine – population just 300,000 – appears to play. Darchinger's collectioo is interwoven with pan-German themes – rebuilding after the war, rapprochement with the Soviet bloc, integration in Europe. It is punctuated by particular events, such as the 1968 student demonstrations or party conferences, that sometimes occurred in Bonn – but as often as oot elsewhere.

"The Bonn republic is no Zeitgeist. It is no political idea. It is no ideal. It is simply and exclusively a chunk of time in the recent history of Germany," argues Darchinger, himself born in Bonn. It is a brutal interpretation, and one that perhaps risks understating Bonn's role in forming the character of Germany.

True, Bonn's modesty, anonymity and geographic unimportance sometimes seem only to add to the obscurity of the country's politics. Through Darchinger's lens, Bonn is an assembly of office corridors, reception rooms, conference tables and coat stands. As if to compensate for the limited architectural backdrops – at least in comparison with the world's more grandiose seats of governments – he deliberately enlarges Bonn's understated political machinations, "which I tried to interpret somehow in symbolic pictures or scenes, the point of which is not always obvious but more subtle".

Hence the powerful, dark Burberry and walking stick of Otto Graf Lambsdorff, the scowling former economics minister who lost a leg on the eastern front in the second world war, hanging menacingly on a peg in a chancellery waiting room. Important business is conducted behind closed doors.

Darchinger is right, too, in that Germany's post-war history has been shaped largely by forces and personalities that have operated beyond Bonn's boundaries. The area surrounding Bonn may have been the powerbase of Konrad Adenauer, the first postwar chancellor, but his chancellorship is captured in images of nationwide industrial revival. His funeral was not in Bonn, but Cologne. Willy Brandt, the former mayor of Berlin, was a 1960s and 1970s Social Democratic idol and "when he became chancellor, the whole of the Berlin legend was like a halo over him".

Indeed, eastern Germany is the most pervasive theme. Chancellor Helmut Kohl – once his political ascension in Rhineland Palatinate is chartered – is at his most triumphant on trips into the east during reunification in 1990.

But the point Darchinger's exhibition risks missing, in its focus merely on "a chunk of history", is that the Bonn republic also describes a particular decentralised, de-militarised system of government to which all six postwar chancellors subscribed.

It is virtual government – impossible to capture in a single image. Physically, there is no centre as such. The chancellery and parliament are outside the original city with its minster and market square. Ministries are spread like satellites around outlying motorways. And political dialogue is conducted from local powerbases or, as importantly, from regional television stations and newspapers. The effect, on top of a constitution giving considerable power to the 16 federal states, can only have been to increase Bonn's obsession with seeking national consensus.

The striving after common goals – although nowadays almost impossible to obtain – must have been a factor in the Bonn republic's economic achievements, which Darchinger chronicles. His photographic hagiography, shot in black and white, seems oostalgic for a country with almost 12 per cent unemployment and struggling to reform an overburdened, regulated social state. With a longer lens, however, the impression is more favourable. "What has been accomplished was an economic and political performance that staggered the Germans and the world – and perhaps created a little envy," Darchinger says.

Could the "Berlin republic" ever be the same? The difference of scale between the former and future capitals suggests otherwise. And Darchinger believes the desperate postwar conditions that forged the Bonn republic are absent. However defined, the Bonn republic was unique.

The move "is associated with a lot of disruption and uncertainty," he says. "You can't pack up a federal capital in boxes, put it in a removal van, drive over there and carry on as before."

The Monday Profile: Arjun Mathrani, ING Barings

A buzzword incarnate

Arjun Mathrani is a buzzword incarnate. The Indian-born banker who takes over next month as chief executive of ING Barings exemplifies the globalisation sweeping financial services.

After a 28-year career with Chase Manhattan, begun as a graduate trainee in London, Mathrani has been hired by the Dutch-based ING Group to oversee the integration and development of its international banking operations. The components include Barings, the venerable UK merchant bank which ING picked up for £1 after its collapse in 1995.

Mathrani is an outsider whose talents have found their moment. According to Marinus Minderhoud, ING Barings chairman, "he has the ability to build bridges", a welcome skill as ING "shifts from a Dutch institution with international branches to a multinational financial institution with European roots".

"We were very impressed not only by his record at Chase but also his personal qualities," says Minderhoud. "He is sensitive, but also tough. Discussing serious matters, he brings in an element that makes us both laugh, and that's my way too. A smile a day keeps the doctor away."

Mathrani, 53, marshalls a broad portfolio of experience. Most recently Chase's senior managing director in charge of global asset management, he was also chief financial officer and corporate treasurer after years on the credit side in Latin America, Europe and Asia. He played a role in integrating Chase and Chemical Bank after their 1995 merger.

"The history of Chase and my experiences there have involved trying to bring together and create an entity that has a number of different cultures," Mathrani says. "That is very much the story of global banking – the ability to meld together different cultures.

"The issues that one sees are not ING Barings-specific. They get the feeling I've seen and dealt with these issues before, which will be helpful." He adds: "I think global banking today requires one to be nationality-blind."

Chase had a mixed record on that score. "I can remember one time in Caracas, when there must have been 13 people around the table and each was from a different country." Yet "Chase was more global, more international in the 1970s and becoming less so in the 1980s. I'm sure it was not a conscious act, but there were fewer of us."

The only other non-US born banker to make it to the top levels of Chase concurs. Ernst Michel Kruse preceded Mathrani as chief financial officer and was responsible for international wholesale banking. He returned to Europe this year as chairman of Germany's BHF-Bank.

Kruse says: "After the merger with Chemical, there was a shrinking of people at senior management levels with genuine international experience, and by 'genuine', I exclude anyone who only had a posting to London."

London was only the beginning for Mathrani. He worked briefly as a management trainee for Grindlays Bank in India after graduating from Bombay University in 1966. Grindlays was being "Indianised", but "probably more than 50 per cent of various departments were run by young Scotsmen," he recalls. "I must say I didn't find it very interesting and that's why I decided to continue my education."

After post-graduate study in history at Trinity College, Cambridge, he was recruited as a credit trainee at Chase in London.

Curiosity led him to Latin America, where he was senior credit officer during the early 1980s debt crisis. He and counterparts from three other banks "would meet each day, literally, to manage the finances of Brazil. One afternoon, a person from JP Morgan and I were with the minister of finance and the central bank president, looking down on a spreadsheet, hand-written in pencil, of the cashflows of Brazil for the next two weeks. This thing was being managed on a 24 hours by 24 hours basis."

Mathrani is unfazed by the Barings tradition. "Remember, I come from an institution whose heritage started in 1799. Barings started in 1762. The heritage part is not overwhelming one way or another. Both institutions are global."

ING Barings employs more than 8,700 people in 54 countries. Since July, ING's international banking operations and treasury and trading functions have come under its umbrella. ING was created in 1991 by the merger of Nationale Nederlanden, the biggest Dutch insurer, and NMB Postbank, the country's third largest bank.

"ING has approached globalisation from a different position than others," he says. "It is building from emerging markets into developed markets. It also has a strong business base in Holland from which it is expanding into other parts of Europe," such as its recently agreed acquisition of Banque Bruxelles Lambert. "We need to expand in the US. The [Wall Street brokerage] Furman Selz acquisition was an important part of that."

"The picture is still being completed, but some very strong building blocks are already in position."

Clay Harris

FT GUIDE TO:

NAZI GOLD

Why are people still talking about Nazi gold more than 50 years after the second world war?
It is a shorthand term for a whole array of assets, from dormant bank accounts to gold bullion, plundered by the Nazis from Europe's central banks and victims of the holocaust. Europe's central banks have recovered up to two thirds of their gold, but it now appears that some of the gold returned to them was stripped from Jewish victims of Nazi death camps.

It has been described as the "greatest robbery in the history of mankind". What sort of sums are involved?
The World Jewish Congress estimates that the Nazis looted $850m in gold between 1933 and 1945. At today's prices this is the rough equivalent of $8.5bn. Some $580m – $5.8bn (£3.5bn) at today's prices – was monetary gold, held by central banks, and another $260m – $2.6bn today – was non-monetary gold taken from individuals and private businesses.

Where is the Nazi gold now?
The Allies found $350m, most of it hidden of in the Merkers mine in Germany, and set up the Tripartite Gold Commission to hand it back to the 10 claimant countries. All but $60m has been returned. However, a very large part has never been traced because it was melted down by companies like Degussa and the Prussian state mint and laundered through banks in neutral countries such as Switzerland, Portugal and Sweden.

Surely the Nazis kept records?
They certainly did. The Americans even captured the files of Bruno Melmer, the SS captain, who opened the infamous "Melmer account" at the Reichsbank, the German central bank, where he deposited gold looted from inmates of Auschwitz and other concentration camps. The Americans returned the records to the Germans a few years after the war. No one has seen them since.

Who has put the Nazi gold issue on the agenda?
The New York-based World Jewish Congress, led by Canada's Edgar Bronfman, chairman of the Seagram drinks empire, first publicised the issue two years ago. It sparked the interest of US senator Alfonse D'Amato, chairman of the Senate Banking Committee, and one of the most effective populist politicians in the US, who publicised the issue through high-profile Senate hearings. There are more holocaust survivors in the US than any other country. Stuart Eizenstat, US under-secretary of state, has been the moving force in the US administration and Lord Greville Janner, the British former Labour MP, has been leading the fight for justice in the UK.

Are we seeing any results yet?
A dozen countries have established historical commissions to look into the matter and 42 countries and states, including the Vatican, were represented at this month's Nazi gold conference in London organised by the British government. The Swiss, under pressure from the World Jewish Congress, have set up a special investigation under Paul Volcker, the former US Federal Reserve chairman, to find out how much money is still hidden in dormant Swiss bank accounts dating back to the second world war. Mr Volcker promises to have finished by the end of 1998.

But is any money changing hands?
Only five of the more than 6,600 claims submitted to Volcker have been settled. But Switzerland has already started making payments from its recently established SFr275m (£115.5m) fund to help needy holocaust survivors and the US and UK have put up $35m for a holocaust fund which they hope will be topped up by the $60m of gold still left in the Tripartite gold pool.

Why does everyone always point the finger at Switzerland?
Switzerland figures prominently in any discussion of the fate of Nazi gold because it was a neutral country and completely surrounded by the Nazis. It became the principal banker and financial broker for the Nazis, handling vast sums of gold and hard currency. The Swiss now admit that they handled 76 per cent of all the gold impounded abroad by the Reichsbank and have dropped any pretence that they did not know that some of it was looted.

Sounds like Switzerland's SFr275m holocaust fund is not going to be enough to settle the issue.
Too true. The Swiss government has offered to sell 700 tonnes of gold, a quarter of its giant gold reserves, to establish a SFr7bn foundation which will help victims of tragedies like the holocaust. However, there is not much chance of its getting off the ground before the turn of the century. Meanwhile, the Swiss banks are facing multi-billion dollar US class actions from more than 80,000 holocaust survivors. If the US judge agrees to hear the case, the banks will have to seriously consider agreeing to a billion-dollar-plus out-of-court settlement.

What's next?
This story is not going to go away. Mr Eizenstat has called another conference for next spring in Washington to look at the question of looted property, securities and art work. New York's Museum of Modern Art has estimated that the value of art stolen by the Nazis in Europe exceeded the total of all art in the US in 1945. However, Mr Eizenstat says: "We must not enter a new century without completing the unfinished business of this century." He wants everything wrapped up by December 31 1999.

William Hall
John Authers

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 21.12.97 / Final Prices for Trading on 23.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.88	14.88	14.82	1.15
0100	23.00	15.22	15.16	1.15
0130	38.21	24.41	24.35	1.15
0200	23.00	24.41	24.35	1.15
0230	15.88	14.88	14.82	1.15
0300	15.65	14.88	14.82	1.15
0330	15.65	14.88	14.82	1.15
0400	15.42	11.02	11.02	0.00
0430	15.42	10.45	10.45	0.00
0500	14.78	10.41	10.41	0.00
0530	14.55	14.42	14.37	1.15
0600	14.55	14.10	14.05	1.15
0630	14.55	14.10	14.05	1.15
0700	14.55	14.10	14.05	1.15
0730	14.55	14.10	14.05	1.15
0800	14.55	14.10	14.05	1.15
0830	14.55	14.10	14.05	1.15
0900	16.24	14.10	14.05	1.15
0930	17.41	14.10	14.05	1.15
1000	17.41	14.94	14.89	1.15
1030	17.41	14.94	14.89	1.15
1100	17.41	15.64	15.59	1.15
1130	17.41	15.64	15.59	1.15
1200	17.41	16.06	16.01	1.15
1230	23.00	24.14	24.09	1.15
1300	23.00	24.14	24.09	1.15
1330	17.41	24.14	24.09	1.15
1400	17.41	16.06	16.01	1.15
1430	17.41	16.06	16.01	1.15
1500	17.41	16.06	16.01	1.15
1530	17.41	16.06	16.01	1.15
1600	17.41	16.06	16.01	1.15
1630	20.98	19.76	19.71	1.15
1700	22.24	23.29	23.24	1.15
1730	40.00	31.24	31.19	1.15
1800	40.00	31.24	31.19	1.15
1830	28.14	31.24	31.19	1.15
1900	22.24	31.24	31.19	1.15
1930	23.43	23.06	23.01	1.15
2000	21.68	20.99	20.94	1.15
2030	20.92	19.76	19.71	1.15
2100	20.98	19.76	19.71	1.15
2130	19.77	16.06	16.01	1.15
2200	17.41	19.05	18.99	1.15
2230	17.41	15.64	15.59	1.15
2300	16.24	15.31	15.26	1.15
2330	16.24	15.31	15.26	1.15
2400	16.24	11.02	11.02	0.00

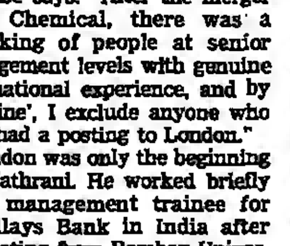
Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.85/MWh becomes 1.885p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the utilisation and development of its electricity transmission system for the purpose of [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 22.12.97 / Final Prices for Trading on 24.11.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	16.24	15.31	15.88	1.17
0100	16.24	15.31	15.88	1.17
0130	19.15	25.62	26.17	1.17
0200	19.15	25.62	26.17	1.17
0230	16.24	15.31	15.88	1.17
0300	16.24	15.31	15.88	1.17
0330	16.24	15.31	15.88	1.17
0400	16.24	25.62	26.17	1.17
0430	16.24	25.62	26.17	1.17
0500	16.24	25.62	26.17	1.17
0530	18.35	11.01	11.01	0.00
0600	11.03	17.69	18.24	1.17
0630	11.03	17.69	18.24	1.17
0700	18.35	30.28	30.83	1.17
0730	18.97	30.31	30.86	1.17
0800	37.70	31.35	31.90	1.17
0830	30.33	31.36	31.92	1.17
0900	42.84	34.57	35.15	1.17
0930	43.59	34.77	35.42	1.17
1000	54.14	51.21	51.91	1.17
1030	54.15	51.29	52.01	1.17
1100	54.14	41.23	41.94	1.17
1130	43.60	41.23	41.93	1.17
1200	43.58	41.28	42.01	1.17
1230	43.57	51.28	51.98	1.17
1300	43.56	51.21	51.91	1.17
1330	37.84	41.06	41.74	1.17
1400	37.83	40.49	41.12	1.17
1430	37.83	40.79	41.44	1.17
1500	37.83	40.78	41.43	1.17
1530	37.85	40.86	41.54	1.17
1600	41.93	38.37	38.94	1.17
1630	34.58	75.38	83.39	1.17
1700	109.07	129.97	143.34	1.17
1730	113.81	138.94	152.16	1.17
1800	109.40	118.66	128.50	1.17
1830	62.70	67.63	72.03	1.17
1900	57.61	55.89	57.97	1.17
1930	54.14	37.36	38.54	1.17
2000	37.94	43.11	43.84	1.17
2030	43.29	33.70	34.28	1.17
2100	33.12	34.50	35.05	1.17
2130	32.14	33.61	34.16	1.17
2200	31.00	31.71	32.26	1.17
2230	23.50	31.35	31.90	1.17
2300	23.50	30.28	30.83	1.17
2330	19.06	27.38	27.93	1.17
2400	18.97	22.62	23.17	1.17

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.85/MWh becomes 1.885p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a [illegible]



Gillian Tett · Economics Notebook

Japan's missed opportunity

By tinkering with the tax system Hashimoto has ducked a bigger task

When it came to the crunch, he cracked. After months of declaring he would never cut tax, Ryutaro Hashimoto, Japan's prime minister, finally bowed to Japan's economic gloom – and unveiled Y3,000bn (£14bn) worth of cuts last week.

Tokyo commentators labelled it a brave move. The sad truth, though, is that his boldness did not go nearly far enough.

For quite apart from whether Y3,000bn of cuts is enough to avert a recession, Mr Hashimoto has ducked a much bigger and longer-term task. What Japan needs now is not tax tinkering, but a wholesale reworking of its entire fiscal system.

Reform is needed for at least two reasons. First, the tax system is not particularly effective at collecting revenues. With Japan's population ageing and budget deficit ballooning, the country can ill afford to lose any revenues. The second, more specific, problem is that tax practices are distorting corporate behaviour in a way that is at odds with Japan's avowed pledge to reform business culture.

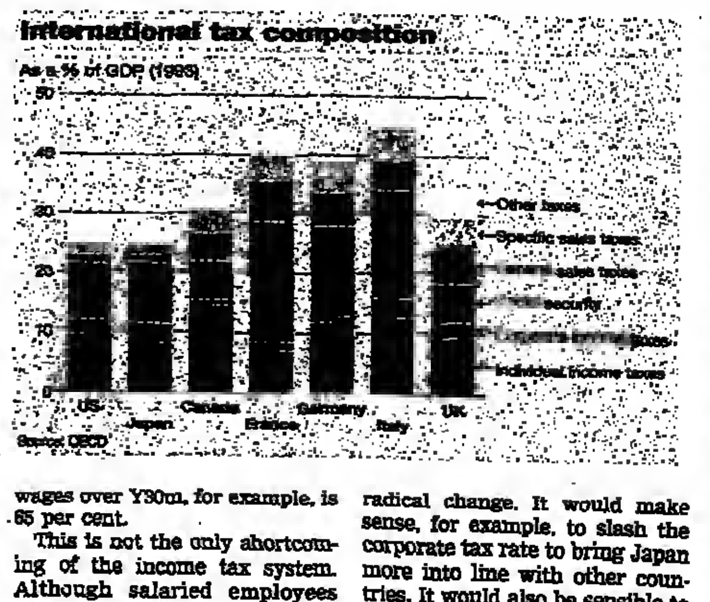
Corporate tax featured prominently in last week's package. At some 49.9 per cent for big businesses, the rate is far higher than most other G7 countries, excluding Germany. That has long provoked howls of protest from Japanese businesses, who claim it leaves them internationally uncompetitive. They may be right. But the debate conceals another issue. Japan's system also includes a plethora of tax "breaks": items like reserves for pensions, or entertainment expenses, are often tax-free.

That has a big impact on company behaviour. In Japan, companies tend to have a plethora of small subsidiaries and affiliates which operate – often inefficiently – behind parent companies. That, argues Alex Kinmont of Morgan Stanley Dean Witter, is because companies with earnings of less than Y8m receive huge tax breaks.

Japan also has multitudes of companies apparently reporting losses. This may reflect the dire business climate. But it probably also reflects the fact that loss-making companies are untaxed. Companies that escape tax in this way now account for a startling 65 per cent of the total.

Japan, unlike most other countries, allows companies to use an accelerated depreciation method for investment costs. This means companies have a strong incentive to make more investments: in doing so they receive larger tax shields and so boost cashflow. Many economists suspect this has contributed to overinvestment.

But perhaps the most important issue is the perks, such as housing or entertainment costs, that most companies provide for their employees. Western shareholders complain these appear wasteful use of company resources. They may probably also make Japanese labour less mobile. But again they partly stem from the tax system: such corporate perks are generally untaxed, unlike salaries – the top rate, which is imposed on wages over Y30m, for example, is 65 per cent.



This is not the only shortcoming of the income tax system. Although salaried employees have tax deducted at source, the self-employed do not – and tax-dodging appears widespread. Research by the Organisation for Ecooomic Co-operation and Development seven years ago, for example, found that Japan's effective tax rate was only 7.4 per cent, though personal income tax rates were between 10.5 per cent and 60 per cent then. The US had an effective rate of 10.5 per cent, though its rates were between 15 per cent and 33 per cent.

Little seems to have changed: in spite of Japan's fabled wealth, for example, 37m of Japan's 44m wage-earners declare their incomes to be below Y7m a year.

So what does this imply for Japan? Ideally, a strong case for radical change. It would make sense, for example, to slash the corporate tax rate to bring Japan more into line with other countries. It would also be sensible to abolish the tax breaks that distort company behaviour. Combined with income tax reform, this might encourage the Japanese to be taxed as individuals, rather than company employees – and might in turn encourage job mobility and discourage corporate waste.

Such moves would undoubtedly provoke howls of government protest about potential loss of revenue. But quite apart from the "Laffer curve" argument – namely that lower tax rates can raise more revenue because they stimulate growth and less tax-dodging – tax cuts could be sensibly coupled with some other revenue-raising moves. Revenue would be raised, for example, if corporate tax breaks were abolished. And in the longer term there also seems to be a case for partly offsetting cuts in income tax by higher consumption taxes.

Such a step would be madness now, given the consumer gloom, which was partly triggered by a rise in consumption tax from 3 per cent to 5 per cent in April. But even at 5 per cent, Japan's rate is still low by international standards. And consumption tax has some practical advantages over income taxes. It is harder to dodge. Pensioners pay consumption tax, but do not pay income taxes – a crucial factor given Japan's ageing population.

Would the government ever do any of this? Some bureaucrats at the Ministry of Finance's tax bureau recognise that the entire system needs an overhaul. And this week tiny steps were taken. The government's 1998 budget plans envisage the corporate tax rate will be cut by 3 percentage points. An attempt has been made to cut corporate tax breaks: tax-free reserves for items such as pensions will be phased out over seven years.

But this is still tinkering. The problem is that nobody in Japan is in a position to push through the overarching and coordinated change needed. The government is still smarting from the backlash against its consumption tax increase in April. The finance ministry is hobbled as the tax bureau is due to be reorganised. Japan seems stuck with a tax problem that is going to last much longer than the media's memory of this week's sudden income tax announcement.

An epidemic of futures

Oxygen bars and smart alcohol are just around the corner, says Helen Jones

Welcome to the future – a world of wrist-watch phones, oxygen bars dispensing pure air to gasping consumers, a growing underclass of technological have-nots filled with rage and frustration, and an increasingly beleaguered middle class trapped in high-security ghettos with only their robotic pets for company.

This may seem like science fiction, but a growing number of futurologists are working with leading companies to sort the science fact from the science fiction and to identify consumer trends for the next millennium.

Advertising agency TBWA Simons Palmer wes one of the first to offer a "futurology" service. Jo Hoare, its chairman, says: "We are trying to spot potential goldmines for our clients. By tracking trends as early as possible it gives them the chance to develop a competitive strategy."

TBWA's department of the future was set up by Marian Salzman who tracks trends by talking to academics, scientists and a network of consumers at the cutting edge of fashion.

Some companies employ advertising agencies to assess the future, others have set up their own departments

Clients inclnde fashion groups Benetton and Levi's, eoft-drink manufacturer Coca-Cola and Kodak, the camera film maker. Looking into her crystal ball, Ms Salzman, who recently left TBWA to form the Brand Fntnres Gronp at Young & Rnbicam in New York, predicts that for example, "smart alcohol" that does not produce a hangover, and "nutraceuticals" – food already packaged with all the vitamins and minerals that we need – will soon be available.

Oxygen bars where customers are served shots of pure oxygen will become commonplaca and overworked individuals will take holidays at retreats where they can enjoy solitude and contemplation.

She also predicts that a new generation of the "oldest olds" – those aged 80 and over, in relatively good health and with large disposable incomes – will emerge, offering new opportunities for companies clever enough to target them.

"Car manufacturers will have to look at what it means to them. They may have to design cars that are easier to get in and out of and are easier to drive if they are to attract this lucrative group of consumers," she says.

Salzman is not the only futurologist predicting the emergence of new types of consumers. David Leddick an advertising consultant and former international creative director of L'Oreal, is working with a number of companies on future beauty and fashion trends.

He says thet new ideas abont beauty will emerge in the next few years. "The increasing mixing of different races – particularly in the US, although it will follow in Europe – means that people will look different and cosmetics and beauty products will also have to change to reflect that," he eays.

Whila some companies employ advertising agencies to assess the future, others have set up in-house departments.

Consumer electronics company Philips has a Vision of the Futurs programme which involves encouraging its 300-strong design team to research and develop future consumer products.

Some of its prototypes include clothing with built-in communications systems so that users can listen to the radio via the toggle on a sweatshirt; and a bathroom wall mirror that offers a choice of TV and information channels while you brush your teeth.

British Telecommunications also has an in-house futurologist, Ian Pearson, who says that wristwatch phones are a possibility, as are robotic pets and electronic child-tracking devices.

While ad agency futurologists and in-house trendspotters are bullish about the value of their work, others remain unconvinced.

Advertising agencies, including Bartle Bogle Hegarty, Ammirati Purie Lintas and Leo Burnett, have all recently eet up departmants or divislons dedicated to helping clients take a long-term view, but none describe themselves as futurologists.

Mike Ainsworth, Leo Burnett's head of Future Focus, says: "There is a futures epidemic out there. We are helping companies determine where their brands should be. We don't rule out trends but we ara dealing with reality."

Advertising agency HHCL & Partners employed a futurologist when the agency was set up 10 years ago.

"It failed. All we got was pretty vagne stuff so now we encourage all our planners to think ahead. I think futurology is so fashionable now because there is a *fin de siècle* feeling and everyone thinks life is going to be different in the next three years," explains Jon Leach, a partner in the agency.

But at the Henley Centre for Forecasting Paul Edwards, the chairman, says that "pop futurology" has some uses. "The value is not in the predictions but in that it challenges straight-line thinking."

Ms Selzman, who is widely credited with identifying "wiggers" – white teenagers who adopted black etreet fashion styles, which spawned a whole industry for baggy clothing a couple of years ago – is quick to point to the effectiveness of her predictions.

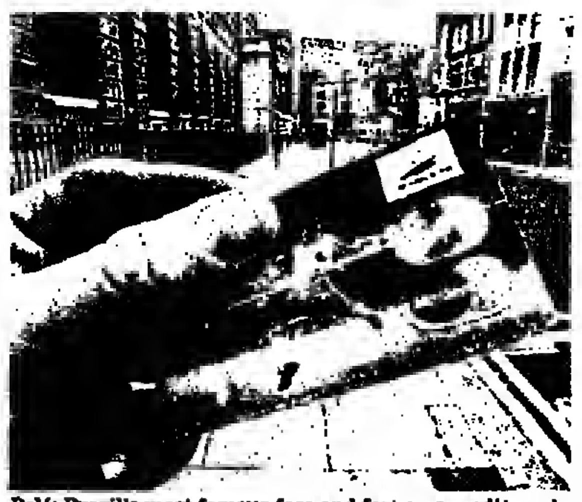
"I don't make sweeping statements and I take no responsibility for things that will happen in five years time, but I would have been very disappointed three years ago if I hadn't warned my clients that there would be nostalgia for the Seventies today. They were able to act on it and make a contribution to their brands."

Mastercard plays on popularity of Pelé

Patrick Harverson finds the soccer icon peerless as a generator of media impressions

It may be 20 years since he last kicked a ball in anger, but Palé remains arguably the most famous sports star on earth. Why else would his picture be on 1m credit cards around the world?

The special Pelé affinity cards have been launched by MasterCard as part of its marketing blitz for the 1998 World Cup in France. Asked why MasterCard uses Pelé as its official spokesman, Mava Heffler, tbe company's head of global promotions and sponsorships, explains it succinctly: "MasterCard is a global brand, the World Cup is the largest globel sporting event, and Pelé is the most popular soccer star in the world."



Pelé: Brazil's most famous face and feet on a credit card

He is also probably the most expensive former soccer star in the world. MasterCard declines to say how mnch it pays Pelé, but his fee for this World Cup is estimated to be in excess of \$1.5m – not bad for about 66 days' work over three years. However, it is a relatively modest amount against the £50m or more MasterCard is likely to spend on promoting its association with next summer's event.

Discovering wbether its marketing spend on Pelé and the World Cup is value for money is not easy, but MasterCard has a stack of statistics ready to impress anyone wbo cares to ask. For example, it says that between 1991 and 1994, Pelé's appaarances worldwide on behalf of MasterCard generated 4bn "media impressions" – the total circulation and viewership of print articles and television appearances.

"Even if Pelé never talks abont credit cards, people know that MasterCard brought them Pelé," says Ms Heffler. "Wherever in the world we've gone, Pelé is popular, and he has increased by many multiples the effect of whatever we do."

MasterCard claims it is not just buying into Pelé the footballer, but Pelé the man. It believes his integrity and reputation – in more than 40 years in the limelight he has never put a foot wrong, either on or off the football field – count for a great deal in these cynical times. Or as Pelé puts it: "Because a company puts my face on the cards, people trust me."

He is something of an old hand at the endorsement game, having worked previously for a Brazilian coffee company, Warner Brothers, PepsiCo, and now MasterCard. He still works with Umbro, the eportswaar group.

Yet Pelé is not only a epokeeman for World Cup sponsors. He is also a considerable political figure – not least in his capacity as Brazil's sports minister. While this can help MasterCard gain access to sport'a highest officials, his commercial interests do not always go down well in the corridors of footboll power.

In Marseilles 10 days ago, Pelé was not invited to participate in the World Cup draw ceremony. The situation – which stems from a long-running feud between Pelé and Joao Havelange, president of Fifa, football's world governing body, about the former's attempts to reform Brazil's football system – caused considerable controversy, and possibly some embarrassment, to MasterCord, one of the main sponsors of the World Cup and a big contributor to Fifa's coffers.

While the row had nothing to do with his work for MasterCard, Fifa officials suggested in Marseilles that Pelé'e status as Brazilian sports minister was being compromised by his relationships with commercial sponsors.

Pelé defends himself by pointing out that he never works for MasterCard while in Brazil. Meanwhile, the company itself can afford to be relaxed about the rift between Pelé and Havelange. After all, how many people know who Havelange is, let alone would want to use a credit card with his picture on it?

Showing at an ATM near you

Alison Smith on how cash machines could carry advertisements

You stare at the screen, watching a trailer for a film that has jnst opened locally, or an advertisement showing a car powering along empty roads. But you are neither in a cinema nor your living room: you are standing in front of an automated tellar machine, waiting for it to dispense your cash.

Video advertisements on ATMs, now being tested in a pilot project in California, are the latest in increasingly sophisticated marketing techniques used at cash machinee. These already include showing still-screen ads and dispensing money-off vouchers.

The trial is being carried out by Electronic Data Systems, and if it goes well, the company plans to roll ont the facility, which includes stereo sound, across 1,500 of its 6,000 ATMs next year in Los Angeles, Chicago and New York.

A similar service could be available at UK cash machines within 18 months or so. Upgrading an EDS machine costs between \$3,000 (£1,800) and \$5,000.

The company is also exploring whether it could use satellite-based communications to target the advertisements, according to the time of day and location of the machine.

Dale Dentlinger, eenior vice-president for consumer network services, envisages advertising, say, pastries in early morning, burgers in the run-up to lunch, and films later in the day when people are deciding how to spend the evening. "There is the possibility that in the longer term we could start to build on the profiles of the consumers using the cash machines," he says.

EDS is carrying out the trial at 165 machines in supermarkets in San Diego. Fifteen-second advertisements are displayed while the machine is processing the transaction.

Ths first commercials being shown are for two films, *The Ice Storm* and *The Full Monty*. They will shortly be replaced by a campaign for Mothsrs Against Drunk Driving. From January the cash machines will show advertisements for Nissan cars.

Researcb through focus groups before the pilot revealed, however, that there were some messages consumers did not want to hear at a cash machine. "There were not many products that didn't work, bnt people did say that they did not want to be told about personal hygiene products, tobacco or alcohol."

On a broader point, J.J. Manning, vice-president of Cashpoint Advertising, the agency selling the advertising for EDS, is at pains to emphasise that using the waiting time at a cash machine to show an ad does not commit the ultimate marketing *faux pas* for this medium – slowing down the transaction itself.

Tim Jackson

AOL merges with the field

Anyone who doubte the market power of America Online should look at e couple of press releases put out last week.

On Wednesday, the US bookselling chain Barnes and Noble announced a \$40m (£24.20m) 4-year electronic commerce deal with America Online.

On Thursday, the pioneering online web bookseller *Amazon.com* felt obliged to put out its own clarification, insisting that the deal had "no effect on Amazon.com's position as an exclusive bookseller on AOL".

Clearly some exclusiva deals are more exclusive than others. It seems that Amazon's exclusivity relates to *AOL.com*, the site owned by AOL that is accessible to all comers via the Web, and on the company's NetFind service, while Barnes and Noble's exclusivity covers the MarketPlace portion of the main AOL service itself.

But the tiff between the two booksellers proves clearly that AOL has made that subtle transformation, so far achieved in the compntar industry only by Microsoft and Intel, from being a competitor in its market to being part of the playing field – a company with which others do business by necessity.

How this came about and where the company goes now were important questions at a day for international journalists at AOL's offices near Washington DC last week. As sales pitches went, the day was very convincing.

Explaining AOL's transformation is not hard. Part of the atory is the geometric growth of internet penetration; after taking a decade to reach 1m customers, the company spent only two years reaching 10m. But another factor is at work.

Last year, AOL decided to move its customers from per-hour tariffs to a flat-rate pricing system with unlimited time. That was daring: about one-third of customers' usage of AOL at the time came from electronic "chat", and there was every prospect that making "chat" free would dramatically increase network costs.

For a few months, to the fury of AOL's customers, the company's swamped network could not cope. But an investment of \$350m has improved the network's performance sharply since then, and two interesting things have proved the optimists spectacularly right.

First, usage per customer has tripled to an average of over 24 hours a month. Yet the pattern of use by customers has remained largely constant. Chat and e-mail continue to account for a significant minority of usage.

The company's subscriber base has grown spectacularly – to more than 10m. The result is that after AOL's merger with CompuServa, the company is six times bigger than the Microsoft Network, its nearest competitor – and advertising and electronic-commerca revenues have begun to take off.

AOL has become a mass medium. According to Pittman, a turning-point was passed in May 1997 when the number of Americans logged into AOL during its peak evening quarter-hour was more than the number watching CNN, and more than the number watching MTV.

So where now? Deals such as those with Amazon and Barnes and Noble make it clear that AOL is now focused on squeezing the maximum possible advantage from its position as gatekeeper to e private estate with 10m people inside. Its revenue model has changed from selling ads to taking a slice of revenue to "anchor tenancies", in which companies pay for placement on AOL real-estate.

Yahoo! is not likely to be the only business in the way of AOL'e ambitions. Another is Mirabilis, an Israeli company that has developed a tool called ICQ allowing 5.4m internet users to exchange immediate text messages with friends simultaneously logged on to the internet on the other side of the world. AOL has long had a similar service, called Instant Messenger, by which subscribers can communicate with each other in real time.

The company now gives away Instant Messenger on the wider internet.

But the company is hedging its bets. Among the contract terms buried in the sign-up page for Internet Instant Messenger is a clause thet gives AOL the right "with 30 days advance notice, [to] introdnce charges for the use of the service". Free now, in short, but not necessarily forever.

tim.jackson@pobox.com

The stakeholder-shareholder debate is no closer to being reconciled, says **Tony Jackson**

Trying to serve two masters

From the viewpoint of the average manager, the debate over shareholders versus stakeholders seems to be getting out of hand. It is one thing for academics and consultants to wrangle over how best to run a company, but senior business figures are giving out conflicting messages as well.

In a recent poll, 72 per cent of UK business leaders said shareholders were best served if the company concentrated on customers, suppliers and other stakeholders. Only 17 per cent thought focusing on shareholders was the only way to succeed. According to a report from the stakeholder-leaning Centre for Tomorrow's Company (see accompanying article), this represents a marked shift from five years ago, when the stakeholding idea received short shrift. But the same five years have also seen the opposite trend: the gospel of shareholder value, which has become one of the dominant management themes of the late 1990s.

From its US origins, this is making deep inroads in Europe. Investment banks hold frequent conferences on the subject, where executives from companies as diverse as Pirelli, Lloyds Bank and Boots troop to the microphone to tell how shareholder value has changed their lives.

A senior Brussels bureaucrat remarks privately that Italian and German company bosses who five years ago could not have told you their share prices now talk of little else. As a result, he adds, he is switching his personal savings into European equities.

What are managers to make of this? Logic suggests that if shareholders come first, other stakeholders cannot. Or can the two views be reconciled?

Not at the theological level, certainly. A glance at books on shareholder value published in recent months shows little room for compromise.

"[The stakeholder view] mistakes the essential nature of a business," write two UK academics, Shiv Mathur and Alfred Kenyon, in *Creating Value* (Butterworth-Heinemann). "A business is not a moral agent at all: it is an inanimate object. It is an investment project, brought into existence to earn in excess of its cost of capital. Its *raison d'ètre* is financial."

Or take *In Search of Shareholder Value* (Pitman), from the consultants Price Waterhouse: "The management of a business must have one prime focus: maximising the value of its equity... When interests conflict, such as those of employees and shareholders, a choice has to be made, and stakeholder theory offers no help in making that choice."

There may be more middle ground than such views would allow. The Centre for Tomorrow's Company quotes an extensive research project from Stanford University which looked at US companies that had been consistently successful for 50 years or more.

Companies such as Hewlett-Packard, Procter & Gamble and Merck differed from their more humdrum competitors in stressing such factors as continuity of values, investment in people and having objectives other than profit. And over the period 1926-1990, their shares outperformed the US market by a factor of 15.

From the shareholder's viewpoint, this is logical enough. A company's share price represents the market's estimate of the present value of its future cash flows. Historically, many companies have been spectacularly profitable for brief periods, then collapsed. The longer a company can be trusted to sustain its competitive advantage, the more its shares will be worth today. And if the stakeholder approach is the key to longevity, so be it.

Not all proponents of shareholder value would disagree with that. In *Value Based Management* (McGraw-Hill), the US consultant James Knight writes: "Managing a company for value requires delivering maximum return to the investors while balancing the interests of the other important constituents, including customers and employees. Companies that consistently deliver value for investors have learned this lesson."

As Mr Knight also observes, it is false to suppose that if shareholders win, they must do so at employees' expense. "In many companies the reverse is true," he writes. "Employees have benefited along with the shareholders in the value created."

And, as Philip Sadler of the Centre for Tomorrow's Company says, companies do not face a simple choice between paying dividends or wages. The expectations of shareholders are purely financial, but those of employees are more complex.

They want good working conditions and training. They may want job security, or to be made employable elsewhere. "If those expectations are being met," Mr Sadler says, "you don't by any means have to match their financial rewards with those of shareholders."

As to the European vogue for shareholder value, the Centre argues this is not inconsistent with the stakeholder thesis. The point is that the interests of the various constituents should be in balance. Many European companies have failed to give proper weight to their shareholders in the past. They need to adjust accordingly.

At this point, it becomes clear that the argument risks becoming sterile. Value-based management – specifically, measuring the financial returns on a company's activities against its true cost of capital – is an important discipline, and can do much to improve corporate efficiency.

But the claim that it should be the sole yardstick is needlessly dogmatic. It is especially popular with those consultants who stand to profit from it, since it gives them a licence to tinker with every part of their clients' operations.

In real life, managers need to hold several ideas in their heads at the same time. A public company must satisfy its shareholders. It cannot do so for long if it exploits its customers, employees, suppliers or the surrounding community.

The stakeholder-shareholder argument is thus a false dichotomy. To put it another way, pity these poor chief executives. If they do not deliver value to shareholders, they will be sacked. But if they do not deliver value to everyone else in the long run, they will be sacked just the same.

The danger of exclusivity

Research on the stakeholder approach to business is brought together in a report from the Centre for Tomorrow's Company.

Among its findings are:

- In a survey of UK business leaders conducted by Mori, 72 per cent agreed that a successful business will better serve the needs of its shareholders by focusing on the needs of its customers, employees, suppliers and also the wider community.

Also, 23 per cent agreed that an exclusive focus on the shareholder could be counterproductive in increasing shareholders' value in the long term.

- A Harvard study of 207 companies examined their corporate cultures.

Those with high stockmarket and profit performance over an 11-year period were found to place greater emphasis on relationships with customers and employees.

- *Built to Last*, a 1995 study from Stanford University, found a similar correlation between corporate success over a 50-year period and strong corporate culture.
- Durham Business School studied UK companies that had been trading since before 1800. Of 57 respondents, 61 per cent agreed that profit was not necessarily their prime objective.
- A study of 312 US companies by Corporate Performance Measurement found that financial measures accounted for only 27 per cent of their measurement criteria.

The rest covered such topics as quality, customer satisfaction, productivity and the workforce.

The report comments: "Traditionally, performance measurement has been assessed on purely financial criteria. Criticism of this approach is growing apace.

"In particular, it is held that financial measures have a backward-looking focus... and have little to tell about the firm's business success model."

The Inclusive Approach and Business Success: Centre for Tomorrow's Company, 19 Buckingham Street, London WC2N 6EF, 0171 930 5150. £25.

MY SECRET WEAPON

Robert Wilson on teamwork

We have lively debate – but no internal politics

Robert Wilson is chairman of Rio Tinto, the world's largest mining company formed from the 1995 merger of RTZ and CRA, its Australian associate. He joined RTZ in 1970 as a financial analyst and had a number of roles in finance, marketing and strategy before he became chief executive of RTZ in 1991. This year he became executive chairman of Rio Tinto.

One way in which this business is notably different from other businesses is that we are free, or as free as a large company can be free, of internal politics.

We do this by not rewarding internal politics and not having too many idle hands. These problems tend to flourish where there is not enough work to do. An example has to come from the top. If the top management team has been setting up factions, you cannot stop the problem spreading.

The way that the management team relates to one another is relatively unusual. I wouldn't describe our working style as collective, which implies bureaucracy and obscurity of accountability. But it is collaborative. I regard a lively debate on issues as highly desirable. You can have heated debates about what is right, not who is right.

An individual who is clearly a point-scorer will not make his way in this organisation. The one who does is the one who is prepared to contribute to the overall effort of the group.

People are often surprised by the way that different functional groups – such as the exploration people, lawyers, miners, engineers and metallurgists – have a willingness to form ad hoc teams on a multi-disciplinary basis. But it is very much part of the culture. During the recruitment process, there is some tendency to select people who are going to work most comfortably with it.

One reason why I feel so strongly about this point is that there have been times in this company's history – and that of many other companies – where a huge amount of intellect and emotional energy has been devoted to competing with one another rather than the world outside.

Another reason I feel strongly about it goes back to 1989 when RTZ bought BP Minerals. For a prolonged period during the negotiations and the completion, we were all under quite a lot of pressure.

We managed to get through that whole period very much as a team. We used to have daily morning meetings. It clearly showed the benefits of working together.

A second point which is unusual about this company is that we think globally but act locally. On the one hand, we want to delegate responsibility to the guy on the spot, but it is clear that we need an ability to understand operating and technical issues at the centre. This is a tricky balance.

The ability and willingness to travel is important. I travel one week a month. When we started to look at video-conferencing, we thought it would decrease the need for international travel. In fact, there is as much international travel as before.

There is no doubt that video-conferencing improves the quality of the information exchanged – when we have meetings we can ask people from other locations to join in. But this environment does not encourage the ability to relate to each other. There is no substitute for eye-to-eye contact.

My feeling is that people like me have not yet learned how to make the most of improved communications in doing our jobs. We tend to respond to better communications by making frequent, shorter trips. I am not sure that doing this on a routine basis is logical.

The way that the senior managers do their job today is very different from the way they did it 25 years ago. Then, they would go to Australia for three weeks at a time. A company house was used as a base and to entertain internal and external contacts. Now you can get there quickly you spend short periods of time there. Instead of being able to ease the burden of management, I suspect we have gone the other way and increased the burden.

Interview by Vanessa Houlder

How can I deal with this career disaster?

John W. Hunt Advises

Dear Professor Hunt,
One of my area managers, call him Tony, has recently failed to be promoted. He applied for the regional manger's job for northern Africa and the Middle East. Three years ago he looked like a certainty but, in the end, we promoted a younger person to the job. Tony is 48. His reaction has been little short of disastrous. He has become very negative and aggressive and rumour has it that he has been bad-mouthing the company with clients. It would not be easy to get rid of him. Anyway, I think this would be harsh as he has given 20 years good service and, until now, has been regarded highly. What should I do?

Professor Hunt replies:
The case you cite has become increasingly common. It is partly because of an over-reliance on promotion as the main reward for high-fliers.

When people are recruited they are invariably told that anyone can get to the top. In principle this is true, but in practice it is blindingly obvious that few actually make it.

Things have become even more difficult in recent years: smaller organisations with flatter structures have become more common at the very time when the post-war baby bulge is desperate to make its mark. Tony's time came and he failed. Not only did he fail to get the job, but he was by-passed by a younger person.

I assume his current position involves responsibility for more than one country. He has probably had international experience and, in the name of his career, moved his family several times. He has looked up the hierarchy and seen that, all being well, he should be regional manager before he is 50. Regional management would give him an important segment of the world market – reward for a lifetime of hard work and certainly in line with the encouragement he has received from parents, schools, universities and performance reviews over the years.

At no point was it questioned that the path to the top was other than open. Like all of us, experience had tapered his ambitions. The zenith of his career was to be regional manager northern Africa and the Middle East. He prepares for the interview, probably agrees to psychometric testing and assessment by outside consultants and has the champagne on ice. And it is your job to tell him he has failed.

Are you really surprised that he is behaving strangely? Tony has played the game, has already visualised himself in the role and has played in his head what he will say to his new team. His wife and family have also rehearsed their parts in this drama.

Like many high achievers, he has had very little experience in dealing with failure

When Tony fails to be promoted it is not an easily suppressed hiccup. In his eyes it is a great public disaster. It is almost impossible in our complex societies to fail in just one role: Tony believes he has failed as an employee, as a father, as a brother and as a friend.

Like many high achievers, he has had very little experience in dealing with failure.

As parents we sanitise environments and over-protect our children. When some children face academic failure they are moved to another school; if they fail to shine athletically we tell them stories about great leaders who were unco-ordinated physically. We successfully protect them from the hurt of living, even though we know intellectually that hurt is part of growing up.

One outcome of this protection is that when high achievers do fail, they have few coping mechanisms.

If Tony really feels the company has betrayed him, he should leave. But he has invested so much energy in his career and in the organisation that he is unlikely to take this apparently logical step.

Apart from the fact that he and his family are dependent on the company for their lifestyle, leaving would raise serious questions about Tony's judgment. How could he have been so wrong about the organisation for so long? His identity, his reason for being, is tied to the company. While our grandparents identified with their village, their church, their family, people's identities today have become inextricably linked to their profession or the organisation that employs them. Loss of that organisation or profession leaves us exposed. Tony's failure to be promoted will have left him asking: "Who am I? What am I? Was I a fool to believe?"

So by failing to get the job, Tony is forced to face hurtful questions. When confronted with such questions most of us fight or take flight.

As he is unlikely to leave voluntarily, his only option is to fight. Your description of his behaviour fits: he defends his image of himself by finding flaws in those who do not share it. He has to, to protect his self-esteem.

The depth of Tony's hurt is not something you can resolve by a chat in the pub. Someone needs to let him talk and talk and talk. Through this process he will begin to adjust his image of himself to include the fact that he is not, and will probably never be, a regional manager.

Watch for any physical symptoms of stress, confront these and get him medical help. Then, if he is to absorb the reality, provide him with an explanation. He needs a story to tell himself and others about why he did not get the job – a more or less rational explanation that admits defeat but suggests other successes will be available, such as less travel or more time with the family.

In the majority of cases, people do adjust to their failures. But what if there is no sign of acceptance, no willingness to move on, and he begins to affect others in a destructive way? You may have to ask him to leave. Unkind as it sounds, the very best thing you can do for Tony at this stage is to get him out of your company. By turning the organisation into his enemy – the characters in it assume less importance because they were once friends and colleagues – he is avoiding questioning his own judgment and the conflict remains unresolved. In the longer term, this is bad news for everyone.

John W. Hunt is Professor of Organisational Behaviour at London Business School and a consultant to private and public sector clients.
Please send suggestions for topics to be covered in this column to Diane Summers, Management Page Editor. Fax 0171 873 3950; e-mail diane.summers@ft.com

BUSINESS EDUCATION

Marxism meets the MBA

Jeremy Grant finds the Vietnamese are ready for business, if not yet for capitalism

When Nguyen Thi Mai presented her MBA certificate to Vietnamese education ministry officials in 1992 after two years study in India, she was met with blank looks.

In those days, most Vietnamese lucky enough to be allowed to study abroad were sent to the former Soviet Union or Hanoi's communist allies in eastern Europe. When not having the merits of Marxism and socialist planning drummed into them, most students sat through lectures in engineering, medicine and teaching.

That made finding a job tough for Ms Mai, Vietnam's first overseas-trained MBA. But she was lucky. DKT International of the US had just opened an office in Vietnam to import condoms. Ms Mai's skills were just what were needed.

Five years on, the blank looks have disappeared. Hanoi is a decade into economic reforms that are prompting a shift away from the disastrous command economics that brought the country to its knees in the late 1980s.

Capitalism may still be a dirty word in communist party circles but to most Vietnamese, business is not. Small-scale private concerns are flourishing and there is talk of a stock market next century.

The demand for people trained in basic business skills is thus acute. Legions of bureaucrats and state-owned enterprise (SOE) managers desperately need training to survive the switch from production targets to profit and loss accounts.

This message has got through to would-be MBA students more quickly than most outsiders expected, says Miles Dodd, regional director of the executive education programme at Insead.

Since 1993, the Fontainebleu-based business school has run two-week management programmes in Vietnam. "What was obvious when we first came here was a lack of knowledge of the market economy. But what wasn't so obvious was how open they'd be to getting it," he says.

On the latest course, SOE managers and junior staff at foreign joint ventures openly debated corruption and business ethics, topics considered taboo in a country where public debate is rare.

Others, too, have spotted the need to develop the business brains of the future.

The Amos Tuck school, based in New Hampshire in the US, last year started running business administration courses for senior managers, mostly from SOEs. It has established links with a Hanoi university with the aim of setting up a business school, according to Tuck professor Paul Argenti.

Harvard business school offers a one-year programme in applied economics for government policymakers and SOE managers with the Ho Chi Minh City Economics university. Other programmes are run by organisations from Switzerland, Belgium and France.

But the most substantial initiative has been a Swedish-funded project to create a centre for management training at the National Economics University (NEU) in Hanoi. Students pick from programmes including an MBA from Boise State University of the US, a distance-learning MBA from the UK's Henley management college and a pioneering, home-grown MBA course offered by the NEU.

That took three years to get off the ground and involved the painstaking conversion of the university's Marxist-trained lecturers to teach the MBA curriculum. "They were stunned when they were put through the economics course," says project co-ordinator Suzanne Hoseley.

Just devising course material in Vietnamese posed problems. Private business has been tolerated only for the last decade so no-one could find a local word for "entrepreneur" – it simply didn't exist.

"Arbitrage" and "options" were also tricky, says Nguyen Van Thang, one of the new batch of MBA lecturers. "We didn't even understand things like credit cards and ATMs (automated teller machines)."

The NEU course – which will produce its first group of 36 MBAs in March next year – starts from the assumption that it is more effective to have Vietnamese teach a specially-tailored course than to have foreign lecturers fly in with alien case studies.

'Our job as MBAs is to try to achieve our objectives within the Vietnamese system'

"It's not a capitalist course, so we're not prescribing standards. That's not what the MBA is about. We're opening people's minds," says Ms Hoseley. On the NEU course, for example, students learn local accounting procedures and internationally accepted practices. Then, in theory, they make up their minds what is best later.

How far people's minds can be opened is not in doubt. What is questionable is whether they are able to use their knowledge at work afterwards.

Old practices die hard in SOEs, where the communist party pecking order has created a culture of unquestioning acceptance of the hierarchy. So anyone attempting to apply new-found skills reading balance sheets is likely to meet resistance. Most graduates revert to old habits.

Nguyen Trong Khang, a 27-year-old from the foreign economic relations department of the Hanoi people's committee, is on the NEU's MBA course. He admits there's a problem but says: "Our job as MBAs is not to change the system. It's to try to achieve our business objectives within the Vietnamese system."

How that can be done is not clear. But Ms Hoseley says the NEU is simply laying the foundations for change: "There's no way producing a few MBAs is going to change the world here. If it creates a core of people who question, they'll hopefully come to some agreement on what they want. It'll take a long time – a generation at least."

Another issue is the sustainability of business schools in Vietnam once bilateral assistance from donor countries dries up. Both Ms Hoseley and Prof Argenti believe that domestic funding is vital of business schools are to have a future.

That explains why Tuck has targeted senior executives from the biggest Vietnamese companies for its courses: "We want it (the Hanoi school of business) to be funded by corporate Vietnam. If we can influence the senior executives, it'll be easier for them to pay for education," he claims.

The problem is that even Vietnam's largest companies – Vietnam Airlines, state coal company Vinacoal, oil agency PetroVietnam – still have shallow pockets. Paying for education is a low priority.

Perhaps that explains why so many young Vietnamese are keen to study overseas. Overseas educational opportunities have been open to young Vietnamese for years, with Australia currently the largest provider to Vietnam of long-term overseas scholarships.

Since 1993, the prestigious Fulbright scholarship scheme has been offered to Vietnamese students, with about seven prospective MBAs joining US universities annually.

However getting there is fraught with problems for most but the offspring of well-connected party members. With the cost of tuition at a US university alone averaging between $24,000 and $31,000 (£14,400 – £18,5000) a year, study abroad is beyond the means of most in Vietnam, where average annual per capita income is about $300.

Nor do the authorities make it easy for citizens to leave. Applying for a passport is the first hurdle. Then there is cumbersome paperwork, usually accompanied by the payment of hefty bribes to education ministry officials.

Le Hoa, a brash twenty-something dressed in jeans and Calvin Klein belt, explains that his father – a government official – was useful in getting him clearance to go to Canada, where he is in the second year of an MBA. "Some fees were waived. My father has connections. It cost me only $2 to get a passport."

By being able to choose who is allowed to study abroad, the communist authorities are reducing the risk of students either never returning home or worse, challenging the regime on their return.

A bigger danger in the eyes of education experts is that those who are genuinely competent and motivated are being denied access to education.

For now, Mr Le has already ruled out returning to Vietnam, where he says jobs are scarce. "There's not much demand for MBA students in Vietnam. We don't have a securities market. What I'm thinking is that they may allow me to work in north America."

Picture: Xuan Binh

Living tradition: a poster outside Hanoi's economics university commemorates Lenin and Russia's October revolution

NEWS FROM CAMPUS

Thunderbird meets Emu

The potential effects of European monetary integration in 1999 are being felt as far away as Arizona.

Thunderbird, the graduate school of international management in Glendale, is hosting a two-day conference on the subject at the end of January. The conference is designed to benefit business people in the south-west of the US who are concerned about the effects of the euro on transactions between the US and Europe, in particular those involved in the financial sector.

The conference is being partly financed by a grant from the Konrad Adenauer Foundation, based in Washington DC.

Thunderbird: www.t-bird.edu/itfc

On track for technology

London's City university business school is introducing a specialist track on its full-time MBA programme in the *Management of Technology.*

The track includes six modules and four elective courses which run in parallel with existing specialist tracks in subjects such as finance and marketing.

The courses will be taught in partnership with companies such as ICI, BP, Zeneca, Ernst & Young and the Bio Industry Association.

City: UK, (0)171 477 8000

Putting IT to work

Faculty from the Sloan school of management at MIT will be flying to Barcelona in June to teach a five-day programme alongside peers from Iese, the business school of the university of Navarra.

The programme, *Management in the information age: aligning information technology with business strategy,* will explore the impact of IT on today's organisations. Topics covered will include maximising customer loyalty, adapting to internal and external change and penetrating electronic markets.

Iese: www.iese.es

Keep posted on distance courses

The UK's Association of Business Schools is planning a conference on the impact of distance learning courses on the business education market. The conference will run in May 1998.

The meeting will look at the increasing number of business schools moving into the market and the implications for the sector.

ABS: www.leeds.ac.uk/bes/obs/abshome.htm

Juicy worm for early birds

For London-based early birds, the Stanford graduate school of business is holding a breakfast event in London on January 30.

Jerry Porras, professor of organisational behaviour and change at Stanford, will discuss his book, *Built to Last: Successful Habits of Visionary Companies* at the breakfast, which is intended for Stanford alumni and other business leaders.

The bad news is that the lecture and discussion starts at 7.30am and finishes at 9.30am.

Stanford: US, 650 723 1322

Information for News from Campus should be sent to Della Bradshaw, FT, Number One Southwark Bridge, London SE1 9HL. Tel: 44 171 873 4673 Fax: 44 171 873 3950

BUSINESS TRAVEL

Travel Update · Roger Bray

Travel tax cut

Norway plans to cut departure taxes for air travellers from April 1 – but the news is not as good as it looks.

International passengers will pay NKr130 (£10.80) instead of the present NKr141, and the charge for domestic travellers to Trondheim, Bergen, Stavanger and Kristiansand will come down from NKr72 to NKr65. The sting in the tail is that the government will levy the tax on seats operated – whether or not the airline sells them.

The aim is to force carriers to match capacity more closely to demand, protecting the environment by avoiding wasteful burning of fuel. But Andres Fougli of Norwegian carrier Braathens says: "This will force airlines to decrease frequencies and use smaller aircraft. It will also make it very difficult for new airlines to enter the market."

Peel me a grape

Clinch that deal, order a dry Martini, and ease the tension by thumping out a little Rachmaninov. While Hong Kong hoteliers offer tasty discounts to tempt back the tourists, the former colony's grandest hotel, the Peninsula, has opened a new suite for customers for whom price is of no concern. Costing HK$32,000 (£2,580) and up per night it has a grand piano, an outdoor terrace and whirlpool bath with views across the harbour. There are two bathrooms, round-the-clock valet service and one of the hotel's fleet of Rolls-Royces is on permanent stand-by.

New destinations

US giant American Airlines is to launch two new transatlantic routes next spring. On April 6 it begins daily non-stop flights between Dallas/Fort Worth, Texas and the UK's Manchester airport. And from May 22 it will operate daily services between Boston and London Gatwick. The airline has already announced plans to fly between Newark, New Jersey and Heathrow.

Break the day

Sheraton is offering added-value deals at its seven European airport hotels, *Gillian Upton writes*. Transit passengers can book a Day Break Room, checking in at 9am and departing by 6pm, for just 50 per cent of the regular room rate. A four-hour express laundry service – in by 10pm and out by 8am – is also on offer at a 50 per cent premium.

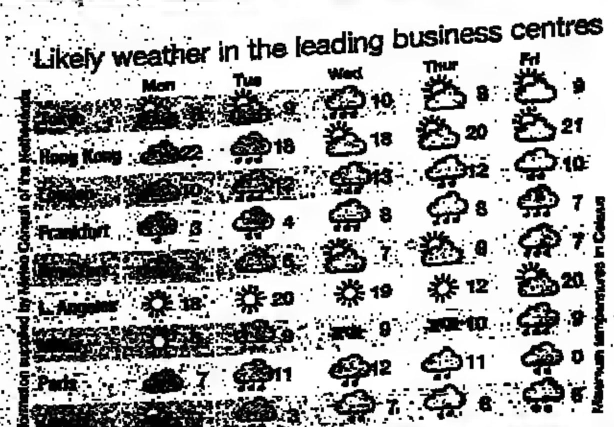
Stansted flights

The choice of airlines is increasing at Stansted, London's quieter third airport. Latest to announce new services is SAS, which plans to start flying there from Stockholm on March 29.

The Scandinavian carrier will operate twice a day to the Swedish capital's main airport, Arlanda, leaving at 7am and 4pm, with return flights at 8.20am and 6.30pm. Ryanair, the no-frills carrier, which already serves Stockholm from Stansted, uses Skavsta airport, which is about 15 minutes further from the centre.

Pan Am's skies

Born-again Pan American has begun flying a new route – between Boston and New York's JFK Airport. The airline, which was re-launched in September last year, is operating five daily services with introductory fares starting at $49 (£29.50). Flights continue from JFK to Fort Lauderdale and Fort Myers, in Florida, and Puerto Rico.



Tidings of comfort and joy

Amon Cohen on plans to make Heathrow slightly less grim

The chaos caused by the recent fire at London's Heathrow airport only underlined what business travellers know all too well. The world's leading airports are hideous and overcrowded aberrations, with remote car parks, inefficient public transport systems, inadequate seating, endless walkways, confusing signs and, above all, interminable queuing.

There are queues for check-in, queues to sbow boarding cards, queues to pass security, queues to show passports, queues to board the aircraft and finally queues again as the aircraft lines up for its slot on the runway. At the other end, queues to collect luggage are extending. Britisb Airways took the extraordinary step earlier this year of cntting capacity on some flights because baggage delays were getting so out of hand.

"Ideally, the passenger would like to draw up in a car at the bottom of the aircraft steps. Anything that comes between that ideal will diminish the airport's efficiency," says Laurie Price, managing director of SH&E, an aviation consultancy.

By that token, Heathrow is hugely inefficient. Many a cursing passenger has wondered whetber BAA, the airport's owner, is indifferent to their suffering, and is merely interested in developing the retail outlets that are its main profit stream.

Raymond Turner, BAA design director, begs to differ. It is his job to develop the world's busiest international airport into a more streamlined operation. The company spends more than £1m a day on improvements at its seven UK airports and, be says, is researching new ways to accelerate the passenger's progress.

With the help of Marketplace Consultancy, BAA mapped the processes from travelling to the airport until embarkation and from arrival until leaving the airport. "We found that airports were asking the same questions several times, such as 'who are yon?'", says Paul Honeywell of Marketplace.

Some things are improving, such as scanning all hold luggage at Heathrow. This eliminates a number of security concerns and makes it possible to separate passengers from their luggage at an early stage. The consequence is that passengers can check themselves in, using self-service machines. Turner suggests that passengers could check themselves in at railway stations, hotels and car parks.

Another idea is mnch more low-tech: a supermarket delicatessen-style service where the passenger collects a number and returns for processing when the number is displayed on a board. BAA is also introducing "common-use terminal equipment" which allows any airline to use the same check-in counter.

Before passport control – *landside* – BAA is considering giving passengers pagers, leaving them free to wander until buzzed for boarding.

Passport control, meanwhile, could be hastened using automated scanning. Some airports are already experimenting with matching the traveller's handprint to one stored on a smartcard. Turner is more interested in matching retinas.

So much for the future but in the present, has BAA allowed its retail operations to dominate its passenger processing? BAA survey figures show 90 per cent of passengers welcome the opportunity to shop, but one wonders if they would nevertheless prefer to relinquisb some retail space in favour of improved facilities.

Turner contends that shops do not impede the passenger process. As for the lengthy walks to some boarding gates, tbey would not be significantly reduced by removing the huge retail areas: Wing-spans and safety regulations mean that aircraft need to be parked well apart.

Among the options being considered to shorten walks are parallel moving aidewalks that travel at different speeds, or even continuous moving chairs, such as in amusement parks. Walt Disney has been consulted.

Since terminals often have quiet arrivals halls when departures is busy and vice versa, Turner is considering ways of making facilities sufficiently flexible to cater for either outbound or inbound passengers. Security problems would make it difficult to convert existing terminals but the idea is high on the agenda for Heathrow's proposed Terminal Five.

When Heathrow opened in 1955, planners thought its capacity of 3m passengers would suffice until the end of the century. In 1997, 58m travellers passed through Heathrow. With those numbers, it seems doubtful that using Heathrow will ever be a joyful experience.

Station to station

Paddington may not be the most glamorous destination, but when BAA launches its Heathrow Express service in June, London-bound passengers could be sporting QQP luggage tags rather than the more familiar LHR.

The aim is to create a seamless journey to central London – and that means the west London railway terminus for the £440m Heathrow Express. Heathrow Express will establisb a 15-minnte service at 15-minute intervals to and from Heathrow to provide a faster alternative to the underground service and increasingly congested roads.

With high-speed links planned at Hong Kong's Chek Lap Kok, Stockholm and Oslo, more airports are thinking about providing a seamless journey from city centre to city centre.

Jeremy Job, Heathrow Express marketing director, has persuaded the International Air Transport Association to register Paddington as a destination and is now talking to the airlines and travel agents to persuade them to include a rail link coupon as part of their airline ticket.

And in case you are wondering why the rather baffling QQP code was chosen – tbe more obvious PAD had already been nabbed by Padna.

Charles Batchelor

No cheap rooms at the inn

With demand for hotel rooms exceeding supply in world cities such as London and New York, travel buyers are finding that some hotel chains are reneging on negotiated corporate rates, knowing they can get a higher rate.

The problem has become so acute that the Institute of Travel Management, a 700-strong group of corporate travel buyers, has set up a working group to investigate the issue.

A particular problem is last-room availability. Reserve a room for one of your executives on a Monday for a stay on Thursday of the same week and the hotel will book it at the special rate. If you book it the day before, the hotel should still offer you a room at the special rate, but some are now saying that a room is not available unless you pay the full undiscounted rate.

"We are advising members to read their contracts extremely carefully, especially the small print, which might identify any anomalies to the negotiated rate," says Jean E. Handley, chairman of the institute's north-west branch.

The culprits, says the institute, are the big chains.

The Guild of Business Travel Agents says it is appalled. "It is a short-sighted viewpoint as this business is cyclical," says Tony Hughes, guild chairman.

"We will offer the best deal available," says David Black, Marriot director of corporate sales for Marriott Lodging in western Europe. "If there is a lot of supply and not high demand we offer a very low rate, better than corporate, but at peak times only corporate rates prevail."

Some are taking their business elsewhere. Littlewoods moved its business from one hotel in Liverpool to another earlier this year.

Another large company, which preferred to remain anonymous, was unable to move its business from Forte Hotels because there was no alternative supplier offering the same range and standard.

"We renegotiate rates if the volume hasn't been there. We're not saying a room's not available, we're saying it's available at a higher rate," says Forte.

Gillian Upton

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Abbey National Treasury CNO-Tec 10 Lkd Gtd Nts 2006 FFR135.0
AIM Distribution Tst 2.25p
Assoc British Ports 11⅞% Bd 2011 £593.75
Blockleys 0.15p
Comm Loans on Inv Property Sec (No 1) Class A Comm Mtg Bckd FRN 2009 £105.34
Do Class M1 £209.15
Do Class M2 £214.14
Do Class B £287.69
Coventry Bldg Scty FRN 2001 £183.29
DKB Int Fxd/FRN Dec 2004 $95000.0
Daiwa Int Fin (Cayman) 7⅞% Sb Bd 2006 $7.875
Eksportfinans 6% Nts 1999 C$60.0
Enron $0.2375
FECSA 7.81% Global Nts A 2001 Pta78100000.0
Do B Pta78100000.0
Do C Pta78100000.0
Finsbury Growth Tst 2.4p
General Motors Acceptance (UK) Nts Mar 2000 £500.0
Hambros 2.5p
Do N/Vtg 2.1p
Headlam 1.75p
Japan Dev Bank 2⅞% Gtd Bd 2006 Y287500.0
Juldis Dev 4¼% Cv Bd 2003 $42.50
Lasmo 10⅜% Db 2009 £5.1875
Marks & Spencer Fin 7⅜% Gtd Nts 1998 £73.75
Mazda Motor 4.05% Bd 2001 Y405000.0
Mitsui (UK) Step-up Nts 1997 Y4000000.0
Murray Split Cap Tst 3.3p
Do Units 33p
NSK 7.05% Bd 2000 Y705000.0
Newcastle Bldg Scty 10¾% Perm Int Brg £53.75
Overseas Inv Tst 2.95p
Peugeot Motor 7⅝% Gtd Nts 1997 £76.25
RTZ Canada (Quebec) 7¼% Gtd Bd 1998 £362.50
Riverview Rubber Estates M$0.10
Sainsbury (J) 8¼% Nts 2000 £8.25
Smart (J) 7.2p
Standard Chartered Bank Sb FRN 2006 $1546.68
Unilever 7⅜% Nts 1998 £73.75
Union Asia Fin 3⅜% Sb Cv Bd 2003 $33.75
Woolwich 10⅛% Sb Nts 2017 £1012.50
Yuen Foong Yu Paper 2% Bd 1999 $200.0

■ **TOMORROW**

Foreign & Colonial Eurotrust 1.6p
Greenalls 10½% Db 2017 £5.25
Guinness Fin Australia 10½% Gtd Nts 1997 A$105.0
Lowland Inv 7.3p

■ **WEDNESDAY DECEMBER 24**

Adelaide Bank FRN 1998 $15.21
Boots 10⅛% Bd 2017 £2531.25
Ford Credit Europe FRN 2001 £18.58
Furukawa Elec FRN Mar 1998 Y20933.0
Do FRN Jun 1998 Y20933.0
Lex Service 6½% Cm Pf 2.275p
Manchester 3% Rd Cons £0.75
Do 4% Cons Irrd £2.0
Mitsubishi Oil 4.2% Bd 2003 Y420000.0
NationsBank $0.38
Nedcor Units R5.76
SGW Fin Gtd FRN 1998 £18.70
Standard Chartered Und Prim Cap FRN £93.49
Woolwich Bldg Scty FRN 1999 £185.14

■ **THURSDAY DECEMBER 25**

Ann Street Brewery Rd Cv 2nd Pf 32p

■ **SATURDAY DECEMBER 27**

Town Centre Sec 10½% 1st Mtg Db 2021 £5.25

■ **SUNDAY DECEMBER 28**

Bayerische Hypotheken-und-Weschel-Bank 7⅝% Nts 2000 £76.25

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:

Graystone, 4, Broadgate, E.C., 10.30
Jupiter European Inv Tst, Knightsbridge House, 197, Knightsbridge, S.W., 3.30
Rage Software, 1, Dacre Street, Bootle, Liverpool, 10.30

BOARD MEETINGS:
Final:
Freepages
Interims:
Barrasford
Sketchley

■ **TOMORROW**

BOARD MEETINGS:

Finals:
Acatos & Hutcheson
Sperati (CA)
Interim:
Stewart & Wight

Company meetings are annual general meetings unless otherwise stated.

Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

ARTS

OPENINGS

MUNICH
Thomas Allen (above) is Eisenstein in the Bavarian State Opera's new production of *Die Fledermaus*, which opens tonight. The cast also includes Cheryl Studer (above right) as Rosalinde and Christopher Robson as Orlofsky. Simone Young conducts a staging by Leander Haussmann. There are performances on Boxing Day and New Year's Eve, and the production runs till February 24.

AMSTERDAM
The Royal Concertgebouw is just about the only world-class orchestra to be working on Christmas Day this year. Conducted by Riccardo Chailly (right), it gives a performance of Rossini's *Stabat Mater* on Thursday afternoon at the Concertgebouw. The concert will be a Eurovision broadcast.

COPENHAGEN
Manfred Honeck conducts Dieter Kaegi's new production of *Idomeneo* tonight at the Royal Theatre. The cast includes Poul Elming (far right) and Lisa Larsson.

BERLIN
A new production of Brecht's *In the Jungle of Cities*, directed by

Johanna Schall, opens at the Deutsches Theater tonight. Apart from Wednesday, Christmas week is very much business as usual for Berlin Theatres. On Christmas Day, the Berliner Ensemble will perform *The Rise of Arturo Ui*, the Volksbühne *Three Sisters*, the Komische Oper *Fidelio* and the Deutsche Oper *Le nozze di Figaro*.

Music in 1997 / Andrew Clark

The buzz came from the pit

Paul Daniel, new artistic director of the beleaguered ENO; and the two major comebacks of the year, conductor Mariss Jansons and violinist Nigel Kennedy

Mariss Jansons arrived in Pittsburgh. The Met signed a long-term contract with Valery Gergiev. New York City Opera was reborn. Tha San Francisco Opera, Chicago Symphony and National Symphony Orchestra of Washington received fresh impetus from refurbished homes. There was a year-long buzz at the Los Angeles Philharmonic.

Who could have predicted, 12 months ago, that North America would provide the most dynamic setting for mainstream music in 1997? It's easy to generalise, but while subsidised Europe seemed to tread water, the pace quickened on the self-supporting cultural freeway across the Pond. We're not just talking about individual events, like François Girard's ground-breaking Stravinsky staging at Toronto or the premiere of John Adams's new piano concerto by Emanuel Ax and the Cleveland Orchestra. It was more a question of climate and personal vision. Michael Tilson Thomas immersed his San Francisco audiences in 20th century music; Esa-Pekka Salonen created a new film-and-music project in Los Angeles; communities in Edmonton and Newark unveiled state-of-the-art concert halls.

The music establishment in the US and Canada has grasped, far quicker than its European counterparts, that the Romantic era will soon be as remote to the 21st century as the baroque and classical eras are to our own, and that the way to sustain tradition is to carry it forward. Perhaps it's just as well there is a drift away from Beethoven and Brahms: the number of dependable interpreters of the central Romantic repertoire is dwindling. Los Angeles has circumvented the problem by making the Romantics look exotic: it put Brahms under the looking-glass and invited Roger Norrington to lead one of his "Experience" weekends. Orchestras which have relied on European tradition – such as Cleveland and Philadelphia, both of which are on the look-out for a new music director – are finding that tradition increasingly hard to sustain.

Of all the performances I attended in North America over the past year, the one that gave me most pleasure was, paradoxically, a dyed-in-the-wool Romantic programme, given by the Pittsburgh Symphony Orchestra under its new music director, Mariss Jansons. Anyone familiar with William Steinberg's Pittsburgh recordings from the 1950s and 1960s would think of this as the most German-sounding of American orchestras. Lorin Maazel turned it into a younger, technically sophisticated ensemble. Jansons has restored the warmth and humanity. His Brahms Third Symphony and Schubert Ninth last month were classics of their kind – clear-sighted, lovingly phrased, exquisitely balanced.

After Jansons's heart attack in 1996, many of his admirers feared the worst. But Jansons has emerged a wiser man, a more mature musician. And his relationship with his other orchestra, the Oslo Philharmonic, is as vital as ever, as their two concerts at Salzburg in August demonstrated. His comeback was one of the most notable events of 1997.

The other major comeback was Nigel Kennedy's, repackaged by his record company in a cynical publicity drive: Nige was dead; the new man was just "Kennedy". Did he come back for the money? Or because, having fathered a child, he had finally grown up? Or because, deep down, he loved music so much he needed to perform? We were none the wiser, but his Elgar concerto, which I heard in Hong Kong in June, demonstrated unspoilt musicianship. Despite the hype, welcome back Nige.

In continental Europe, I attended three outstanding events: the premiere of Henze's opera *Venus und Adonis* in Munich, the Peter Stein-Claudio Abbado production of *Wozzeck* at the Salzburg Easter festival, and Osmo Vänskä's Sibelius cycle with the Lahti Symphony Orchestra in Helsinki. There was much to celebrate in Henze's cerebral treatment of the classical love-triangle, not least its choreographic impulse and tidy length. *Wozzeck* was stunning: faithful to the text but brilliantly imaginative in execution. Vänskä's three all-Sibelius concerts embraced extremes of speed, dynamics and mood. On the whole, it worked: we heard Sibelius with new ears, something that cannot be said for Sir Colin Davis's recent cycle in London.

London's concert life has nevertheless picked up. It seems only yesterday that all was doom and gloom; now it's the turn of the opera houses to suffer, and London orchestras are enjoying revived fortunes, with the Philharmonia leading the way. Its programmes – the Ligeti *Clocks and Clouds* comes to mind – are easily the most imaginative, and it is already reaping the benefit of luring Christoph von Dohnányi as principal conductor. A figurehead of Dohnányi's stature is what is missing at the London Philharmonic. Serge Dorny, the LPO's artistic director, has brought shape and stability to the orchestra's work, and with the right conductor it can match its rivals. Its big advantage is residency at the South Bank, where a real buzz is developing, much of it related to Amelia Freedman's astute programming.

Across the river at the Barbican, the pace is more sedate, rather like the London Symphony Orchestra's Sibelius. In terms of strategy, the LSO is the best-managed of London orchestras. With its high-profile foreign tours, it has become an ambassador for British music-making. Its concerts are impeccably groomed. But am I alone in finding them a bit dull? One of the problems is the LSO's obsession with the dead composer retrospective. Is there no other way to programme but to throw all Brahms's works together, all Ravel, all Sibelius, all Shostakovich, and so on? This compartmentalising of the repertoire is facile. The LSO needs a shake-up.

As for the Royal Philharmonic, which received mediocre reviews for its autumn tour of the US, it will continue to be an also-ran in London's musical life until it establishes a proper base, attracts better-quality artists and devises livelier programmes. Among the regional orchestras, the Bournemouth Symphony continues to make steady progress with Yakov Kreizberg; the Hallé has done well to hold on to its audience at Manchester's Bridgewater Hall, despite competing attractions; the Royal Liverpool Philharmonic and Royal Scottish National Orchestras made a promising start with their new conductors, respectively Petr Altrichter and Alexander Lazarev. The BBC orchestras had another enterprising year; so did Belfast's new Waterfront Hall. And in his final season at Birmingham, Simon Rattle gave us *Asyla*, a quantum leap in young Tom Adès's output and one of the most seriously engaging pieces of music I heard all year.

Welsh National Opera went from strength to strength, starting with an authentic *Carmen* and ending with news that the company will soon have a purpose-built home. Gone is the ill-fated Cardiff Bay Opera House Project; step forward the £86m Wales Millennium Centre, to be opened in 2001. Same idea, different name. WNO's general director, Anthony Freud, is justifiably cock-a-hoop. In Glasgow, Scottish Opera had a brilliant *Samson et Dalila*, a refurbished Theatre Royal and, in *Rigoletto*, a masterclass in Verdi conducting from the undersung Richard Armstrong. Opera North attracted good notices for its off-repertoire – notably the Pountney staging of Martinu's *Julietta* – but has yet to prove it can handle the staple works; and there is still no music director.

Which brings us to Paul Daniel, who left that post in Leeds to take up a similar one with English National Opera. Little did he know what turmoil lay ahead, first with Dennis Marks's abrupt departure and then with UK culture secretary Chris Smith's proposal to turf ENO out of the Coliseum. By providing effective leadership on and off stage, Daniel has emerged with enormous credit – enough to deserve the title of artistic director. The German practice of putting an artist at the top is a good one; if Daniel has a strong administrative team, ENO has no need to replace Marks. After a dull six months, ENO found a new lease of life in September. *The Flying Dutchman* was engagingly theatrical, if conceptually flawed; *From the House of the Dead* was a company achievement in the best ENO tradition; *Eugene Onegin* showcased Vivian Tierney's glorious Tatyana.

For the Royal Opera, the trajectory went in the opposite direction. With each successive crisis, it seemed there could be nothing worse to come – except that there always *was*. But let's be fair: in the circumstances, the company has performed creditably. Few who were there will forget Mark Elder's conducting of the 1857 *Simon Boccanegra* or Gergiev's in *Lohengrin*. There was Thomas Allen's Beckmesser, Joan Rodgers's Governess and the Mark Morris *Platée*. *Palestrina* must be counted a worthwhile failure. The only complete success, in my book, was *Katya Kabanova*, and that was a revival.

It can hardly be coincidence, however, that since the Covent Garden redevelopment began in July, the most significant "international" operatic event in London has been a concert performance – the *Linda di Chamounix* conducted by Elder and promoted by the Orchestra of the Age of Enlightenment. We must be thankful for such small mercies; the runes indicate an inhospitable 1998.

Panto

Culture shock Babes

The panto season is when theatre critics tend to garner opinions from children – but let me assure you, though, that it is far more entertaining taking along an adult friend who happens never to have seen a panto in her life and watching as the culture shock engulfs her.

We are all aware that panto is, in a modern theatrical context, *sui generis*, but it can help to be reminded of this by seeing someone else's stunned responses to, say, a forest ballet featuring a baggily-costumed hedgehog, or a musical set list which progresses from "Consider Yourself" and "There's A Kind Of Hush" to "Spice Up Your Life" – this last number sung by the wicked Sheriff of Nottingham.

Roy Hudd is pretty much the guv'nor as regards panto scriptwriting, and although it takes a while to warm up, Watford's *Babes In The Wood* follows Hudd's usual strategy: the time-honoured rituals of "When I nod my head, you hit it" and "He's behind you!" rub shoulders with quickie gags about the Blair government and the Teletubbies.

Longtime Hudd associate Chris Emmett has had the dame's role of Nanny Fannakapan tailored to fit him like a tastelessly bright polka-dot glove; eventually even my bemused friend was joining in the chorus of "Wotcher, Fanny!". Nick Staverson brings more energy than personality to the role of Hopeless Horace the robber, until the end when – as kids from the audience are invited onstage – it becomes apparent just why a former Children's ITV presenter was cast in the role; Staverson deals with them like the pro he is.

John Pennington has not yet fully settled into panto-villain mode as the Sheriff, but will plainly deliver the goods once he does so; Carrie Ellis as Robin Hood is frankly something of a cipher. But hey, this is panto, where one doesn't sit stroking one's chin at the plausibility of characterisations – one gets on with cheering, hissing and trying to catch the chocolates thrown from the stage. Oh, and Mark Hinton and Gemma Fripp can also take pleasure in my friend's verdict – "The set designs were *terrific!*" – once she had picked her jaw back off the floor.

Ian Shuttleworth

Palace Theatre, Watford, until January 10 (01923 225671).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
● Medieval illustrated histories: the Hausbuch and its Master. Drawings, prints and a panel painting by the the Master of the Amsterdam Cabinet, including the 64 sheets of the Hausbuch, which has been taken apart for restoration; to Jan 18
● On Country Roads and Fields: tracing the development of Dutch landscape painting through the 18th and 19th centuries, including examples of the Hague School and turn-of-the-century works by Van Gogh and Mondrian; to Mar 3

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 22, 25, 28, 30

BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
Rembrandt: The Human and the Natural Landscape. 91 etchings from the Rembrandt House Museum in Amsterdam. The exhibition will transfer to Madrid; to Jan 11

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Weber and Beethoven; Dec 30, 31

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Hänsel und Gretel: by Humperdinck. Premiere conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 27, 30
● Le Nozze de Figaro: by Mozart. New production conducted by Christian Thielemann and staged by Götz Friedrich, with sets by Herbert Wernicke; Dec 25, 28, 31

BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection of the Kunsthalle Bremen; to Jan 11

CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Twenty Years of Textile Society Collecting (1978-1998): all-inclusive anniversary celebration. Exhibits will include 18th century French panels, African and Bolivian works, and contemporary American hangings; to Mar 22

CLEVELAND

EXHIBITIONS
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural significance, including the most important known "cloth of gold". The exhibition will travel to New York; to Jan 4

FRANKFURT

EXHIBITIONS
Schirn Kunsthalle
Tel: 49-69-299 8820
Holy Russia: Icons and the Rise of Moscow 1400-1600. 50 icons lent by Russian museums are the centrepiece of this exhibition, which also includes 16 manuscripts. The period was a crucial one, which marked the rise of Moscow as a principality ruled by powerful Tsars. To Mar 1, after which the exhibition will travel to London

GLASGOW

EXHIBITIONS
Burrell Collection
Tel: 44-141-649 7151
Sir John Lavery (1856-1941): The Irish Glasgow Boy. Highlights include "The Tennis Party" (1885), "State Visit of Queen Victoria to the Glasgow International Exhibition" (1888), and major portraits in which the influence of Whistler is clearly visible; to Jan 25

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
New Year Viennese Evenings: John Georgiadis conducts the *London Symphony Orchestra* in a programme including dances by the Strauss family; Dec 31

DANCE
Royal Festival Hall
Tel: 44-171-9288800
The Royal Ballet: programmes includes Les Patineurs, Tales of Beatrix Potter and Peter and the Wolf; Dec 23, 26, 27, 29, 30, 31

EXHIBITIONS
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Objects of Desire: The Modern Still Life. Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

Royal Academy of Arts
Tel: 44-171-439 7438
Sensation: Young British Artists from The Saatchi Collection. Showcase of works by some 40 artists including Damien Hirst, Marc Quinn, Mark Wallinger and Rachel Whiteread; to Dec 28

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Dec 31

MILAN

DANCE
Teatro alla Scala
Tel: 39-2-88791
Giselle: with sets and costumes *by Marie-Louise Ekman; Dec 31*

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Philippe Auguin in a staging by Graham Vick, with designs by Maria Bjornson. Casts vary; look out for Maria Guleghina and Roberto Alagna; Dec 28, 30

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: New Year's Eve Gala. Programme of works by Tchaikovsky, Mussorgsky, Ravel and Bizet. Valery Gergiev conducts. Soloists include mezzo-soprano Olga Borodina, bass Samuel Ramey and pianist Alexander Toradze; Avery Fisher Hall; Dec 31

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 22, 23, 26, 27, 28, 29, 30, 31

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 24, 27, 31

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Angela Gheorghiu sings the role of Violetta, with Ramon Vargas as Germont; Dec 24, 27, 30

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 22, 23, 26, 29, 31

ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 27, 30

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central *European Time:*

● **NBC Europe**
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

The FT Interview • Massimo D'Alema

At the head of Italy's table

Romano Prodi, Italy's prime minister, sees himself as the man who will take the country into European economic and monetary union. Massimo D'Alema, leader of the party of the democratic left (PDS) – the former Italian Communist party – sees himself as the man who will take it into the 21st century.

If Mr Prodi has become the figurehead of Italy's economic recovery, Mr D'Alema – at 48 one of the most formidable brains in Italian politics – lets no one forget who is the real architect of change. Sitting in his spartan office in Rome, he uses a story to underline the sense that he is the man with whom Italy's political future really lies.

"There was a baron in Lecce," he says. "He went to his club to play cards. He never sat at the head of the dinner table. When asked to do so, he simply said: 'Where I sit *is* the top of the table.'"

If there is a touch of brashness in the tale, Mr D'Alema cannot take all the blame. Since the Prodi centre-left coalition came to power last year, the PDS leader has faced a peculiarly Italian dilemma. With about 21 per cent of the vote, the PDS emerged last year as the largest party in parliament.

Mr D'Alema, by choice, did not enter the new government. Sensitivity over the PDS's Communist past meant the creation of a broad-based centre-left coalition could happen only under the guise of a more mainstream figure such as Mr Prodi – a respected economics professor and a technocrat of Catholic leaning.

"We put him there," Mr D'Alema says. "I went to ask him in his home in Bologna. He thought I was mad."

Mr D'Alema dismisses Mr Prodi's high profile and the power plays within the governing coalition as minor irritations. He has, however, been upset by the boardroom battle at Telecom Italia, the telecommunications group privatised two months ago. Mr D'Alema favoured Guido Rossi, who had spearheaded a reform of corporate governance in the company, to remain as chairman. Mr Rossi stepped down after being defeated by a more old-style chief executive.

"We are carrying out privatisations but we still have not done enough to create a proper financial market," Mr D'Alema says. "We do not have guarantees for small shareholders, no rules for public companies."

As for the impression that Mr Prodi is taking the credit for raising Italy's chances to join Emu, Mr D'Alema says: "When we go into Emu, I don't think we can say that it has been the work of this person or that. It has been a combined effort."

He concedes Mr Prodi has been "a fundamental element" in the process of change, "a high-quality ally". But he also refers to a television programme where Mr Prodi called himself a "transitional" leader because he was a technocrat without a party of his own.

Mr D'Alema scoffs at suggestions that the coalition is establishing a regime. "Utter nonsense – after only one-and-a-half years of government some people say we are a dictatorship; the same people say the country is unstable when governments last only six months. The point is there are no major political events occuring in Italy at present. Italy is undergoing a period of political stability and it is not a temporary phase."

The coalition has met its targets, he says. It has consolidated the political consensus, the lira is stable, inflation is under control, interest rates are falling and "next spring we will qualify for Emu – at least I think so". Perched on the edge of his black leather sofa, he insists: "Our aim is not to manage power but to transform the country." And with a determination that betrays his communist roots, he seeks to take the political high ground of a man with a clear sense of destiny.

In his mind, he has mapped out the future course of Italian politics. The first phase is nearly over. "As a party we set ourselves three targets after losing the 1994 elections to the right and I became secretary-general." These included turning the PDS into a Blairite party of the centre and integrating it with the rest of the European left; building a centre-left alliance to govern Italy by attracting part of the Catholic electorate; and reforming the constitution alongside the right.

The evolution of the PDS is about to be fulfilled. In January, it will shed the last visible symbol of its communist past: the hammer and sickle. This will be dropped from its banner to be replaced by the red rose of European socialism. "It is a message to show people not where we have been, but where we are going," he says. "We need to broaden our support to those groups that were not initially attracted to the old Communist party."

With the economic "emergency" over and the country poised to join Emu, 1998 will be the year of constitutional reform and the formulation of policies to tackle unemployment and the problems of the south. In 1999 Italians will, for the first time, directly elect a president. And 2000 is the year of the next general election, when Mr D'Alema hopes to see his party break the mould of Italian politics by gaining 30 per cent of the vote, or even 40 per cent (with the help of other parties).

If this gameplan is to be successful, he knows the Italian political world must take it seriously. So he insists his party will continue to support the current coalition government to achieve this timetable. "There will be no political crisis and the stability of the coalition needs to be defended vigorously," he says. But he warns: "Whoever breaks the current consensus will have to pay dearly."

When the small, hardline Refounded Communism party threatened to bring the government down over the 1998 budget in September, Mr D'Alema challenged Fausto Bertinotti, the party's leader, to an early election. Now he has warned Silvio Berlusconi, the embattled leader of the right, that if he torpedoes the process of constitutional reform, Italy will move straight into elections. This would be "suicide" for the right, he says.

Mr D'Alema, who this year led the parliamentary commission reforming the Italian constitution, is confident that the French-style reform on the table – involving a national election for the enhanced role of president and a twin ballot in elections to parliament that reduces the influence of minor parties – is not only workable but would give the country greater unity.

He acknowledges that political change in Italy will continue to undergo periodic storms. His party, he says, is in no hurry because he believes the momentum cannot be reversed.

If he fears the sabotage of his grand design and personal ambitions to be head of the table, he is too consummate a politician to reveal it. Instead, his weapon is wry humour. "Perhaps one day, at the right moment, they will also give me something to do."

Paul Betts
James Blitz

A convergence of rich and poor

What north-south divide? The UK should be proud of its regional equality, says Tony Travers

The popular view of Britain's north-south divide is one of poor northern regions and rich southern ones; where the divide is bigger in the UK than elsewhere in Europe and, worse, where it is widening.

Visitors to London travel from mainline stations to city-centre offices, theatres and museums on crowded tube trains. Shops are stressfully busy, it is impossible to get a reservation in a good restaurant and there are never any empty taxis. It is small wonder most people – including MPs and journalists, who generally inhabit the same tiny bit of central London as tourists – accept the popular perception of the north-south divide.

"Comparing the economic performance of the English regions shows some considerable divergences." Thus, in words reminiscent of former prime minister John Major, the government recently stated one of the key reasons for setting up regional development agencies in England. The proposed Scottish parliament and Welsh assembly are also designed to bolster regional growth.

Official figures show that there *is* a gap between gross domestic product per head in the south-east and Britain's poorest region, Northern Ireland. According to the Office for National Statistics' Regional Trends survey, the south-east's GDP exceeded that of Northern Ireland by 46 per cent in 1994 (the most recent year for which figures are available). But how far is this gap out of line with those in other European countries?

Inter-regional differences in the UK are, in fact, smaller than those in all of the larger European countries. In the cases of France and Italy, the differences between the GDP of the richest and poorest regions are vastly greater than in the UK.

The figures in the table show that in France and Italy the GDP of the richest region exceeds that of the poorest by 85 per cent or more. In Spain, the gap is 64 per cent, while in Germany (even leaving out the former East Germany and ultra-rich city regions) the difference is 52 per cent.

No one seriously doubts that there is a gulf between rich and poor *individuals* in the UK, so the small regional variations suggest that rich and poor people must be more evenly spread about the UK than in France, Germany, Italy and Spain.

In reality, any alert Briton who has travelled in France or Italy would instinctively know that the gap between the fabulous wealth of Paris and the industrial poverty of northern France is rather greater than anything on view in the UK. The comparison between Lombardy and the chronic lack of resources in southern Italy is similarly stark.

Another myth propagated from time to time is that the difference in wealth between the richest and poorest regions is becoming greater in Britain. The south-east is, so the argument goes, pulling further and further ahead of Northern Ireland, while elsewhere in Europe the regions are converging.

Again, European Union statistics show the reality to be rather different. In the past five years, the gap between the GDP per head of the richest and poorest regions in Britain and Spain have moved closer, while those in Germany and Italy have moved further apart, with no change in France.

A colleague in the London School of Economic's Centre for Economic Performance recently published research showing that, while the GDP per head of EU countries has been converging in the past 15 years, inequalities between regions within member states have, increased overall.

Since EU structural funds are used to encourage development in regions whose economies are lagging behind, the increase in inequality between regions probably suggests that many EU governments are individually pursuing policies within their own borders that work against regional convergence.

Inter-regional differences are, it seems, relatively small in the UK. Indeed, so relatively narrow is the gap between the top and bottom regions in the UK that it raises the question of how, after 18 years of Conservative government, the picture has come to be so very different from countries such as Germany and France, which are widely believed to have had more egalitarian governments.

One reason why regional differences are smaller in the UK is probably the use of explicit funding formulae (such as those used in the health service and local government) to allocate money from the centre to other parts of the country.

Although such mechanisms are complex, they are open to argument and tend to encourage roughly equal distribution of resources around the country. Local authorities are big enough to act as effective exponents of equal resource allocation from area to area. The continuing debate about the allocation of lottery cash assumes equal shares per region as the only acceptable outcome. Huge efforts have been made to encourage inward investment in peripheral regions of the UK.

The myth of a UK with uniquely poor and rich regions is very powerful. Worse still, a number of commentators confuse the concentration of political decision-making in London with the notion that the capital and its region receive too large a share of state resources.

We now know that it is Scotland, Wales and Northern Ireland that absorb the greatest share of public spending. The UK has, doubtless by accident, achieved a degree of regional equality of which it can be proud.

The author is director of the Greater London group at the London School of Economics and Political Science

The UK: more equal than its neighbours

Regions, GDP per head

EU = 100	Highest	Lowest	% by which highest exceeds lowest
France	161 *Ile de France*	87 *Nord Pas de Calais*	85
Germany*	152 *Hessen*	100 *Rheinland-Pfalz*	52
Italy	131 *Lombardy*	68 *South*	93
Spain	95 *Madrid*	58 *South*	64
UK	117 *South-east*	80 *Northern Ireland*	46

* Excludes the regions of the former East Germany and also excludes very rich city regions such as Hamburg. The gap between the richest region (Hamburg) and the poorest (Mecklenburg-Vorpommern) throughout Germany is from 196 to 57 (244 per cent)

Personal View • Joachim Fels

One money – but many nations

The argument that the euro will lead to a superstate is unfounded

Fears that the introduction of the single European currency will pave the way for a federalist superstate are grossly exaggerated.

Experience shows that the integration of markets for capital and goods, which will be helped by introducing the euro, goes hand-in-hand with political decentralisation, not centralisation. If anything, political power will devolve from the nation state to the regional level.

This would increase the scope for institutional competition in Europe and should, for instance, result in labour market deregulation and lower taxes on mobile factors such as capital. As a consequence, investment would improve and structural unemployment would be reduced.

When the Maastricht Treaty was signed in 1991, European economic and monetary union was widely seen as a precursor to European political union. Federalists across Europe hoped that merging European currencies would force governments and parliaments to transfer the bulk of their legislative and executive powers to Brussels. Therefore they supported Emu.

The Eurosceptics, including many free-market economists such as myself, opposed Emu because they dreaded (and still dread) the idea of a federal superstate interfering with social and economic policies. These, they believe, would be better conducted on a national or regional level.

The crucial assumption by the proponents and opponents of Emu was – and, in many cases, still is – that monetary union would lead to political union. Yet that assumption is no longer valid: while the introduction of the euro in 1999 is more likely than ever, the chances for a federal political Europe are increasingly remote.

The drive towards political union has stalled. One reason is that politicians with a perceived taste for the federalist approach, such as Helmut Kohl, the German chancellor, find it hard to relinquish to a higher authority the final word on various policy issues. Take, for instance, the German insistence on a veto right for nation states in asylum matters at the European summit in Amsterdam last June. Most other European Union governments are equally reluctant to move from the unanimity requirement in important matters to a majority voting system.

Much of this reflects the European electorate's disenchantment with the idea of transferring political decisions to yet another, higher level of government that is even further detached from local conditions than national governments. This distrust is not just a British or Danish peculiarity. It is widespread, also present in Germany and France, the two countries thought to be the motors of European political integration. The drive towards political union has stalled just when when the effort towards monetary union has intensified.

Research on the link between economic integration and political separatism helps explain why politics become more local as markets become more global. In a recent paper, Alberto Alesina, Enrico Spolaore and Romain Wacziarg argue that the two go hand-in-hand.*

In a world of trade restrictions and capital immobility, small states are economically unviable since the size of the market is determined by the size of the country. Nation-building or even empire-building makes sense in such a world, as it is the only way to reap the economic benefits of market size. Conversely, in a world of free trade and capital flows, the size of the market is global. Political separatism becomes less costly in a globalised economy. There will thus be a trend towards smaller political units based on cultural or ethnic identities, embedded in an open world economy.

As the authors point out in their paper, there has been a strong positive correlation, from 1870 onwards, between the degree of economic openness and the number of countries in the world. The relationship also holds for the post-war period. Trade volume as a share of world gross domestic product rose by 40 per cent between 1946 and 1995; over the same period, the number of countries increased from 74 to 192. Today more than half of the countries are smaller in population than the state of Massachusetts, suggesting that globalisation encourages political disintegration.

So what are the lessons for Emu? Consider that the single currency secures the internal market, and thus the free flow of goods and services, and enhances the mobility of productive capital – foreign direct investment. Combining this with the analysis by Alesina, Spolaore and Wacziarg, the closer economic integration should militate against a move towards political union. If anything, the trend towards devolution – under way in many EU countries – can be expected to accelerate. With the common market for goods, services and capital secured by Emu, regions will seek to gain a greater say in economic and social policies.

If devolution of power to the regions is the answer, it becomes unlikely that a European federalist agenda of harmonising social security standards, taxes, and labour market regulations can be put into practice.

Nor should it. The various nation states, regions and cities would rather compete for mobile jobs and investment by offering higher after-tax returns on capital. As a consequence, taxes on capital and skilled labour will fall and labour markets will become more flexible. This is what Europe needs to fight structural unemployment. And this is why I have developed from a Eurosceptic dreading a federalist political Europe into a Euro-optimist. One money for Europe – yes; one government for Europe – no.

The author is senior economist at Morgan Stanley Dean Witter.

**Alberto Alesina, Enrico Spolaore, Romain Wacziarg, Economic Integration and Political Disintegration, NBER Working Paper 6163, Cambridge, Mass., September 1997.*

LETTERS TO THE EDITOR

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OECD figures undermine idea of 'miraculous' UK and US growth

From Mr Matthew J. Turner

Sir, Given the OECD has predicted a sharp slowdown in UK and US growth over the next five years ("Forecast of slowdown hits sterling", December 16), perhaps we could now stop all this nonsense about "booming Britain"; or the "miraculous" US economy. At best it seems incredibly arrogant, at worst it gives comfort to the Euro-sceptic view that the UK is better off on its own and away from Europe.

The OECD's figures (including predictions for the last two years) tell a different tale. Average growth per annum by country 1990-99 is: US 2.2 per cent; Japan 2 per cent; Germany 2.6 per cent; France 1.7 per cent; Italy 1.5 per cent; and UK 1.7 per cent.

Ignoring Germany, for reunification makes comparison problematic, one can observe that the US economy has achieved, at the cost of massively unequal incomes and sharply increased poverty and crime, 2.2 per cent growth a year. This is just 0.2 per cent better than that supposed basket-case, Japan. And "Cool Britannia", for all its new Labour/Thatcherite policies and US-style social degradation, has "boomed" by 1.7 per cent. Whoa, slow down! What a shame it's no better than that well-known economic black hole, France, and far less than in those dark days of the 1970s.

Just for the record, The OECD also predicts that the UK will be one of the slowest-growing of those six economies in the first three years of the next century. Nice to know that the UK will start the next century as it did the previous one – with smug superiority masking relative decline.

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Make IMF share the risk

From Professor Kunibert Raffer.

Sir, The underlying reason for the problematic behaviour of the International Monetary Fund described in Jeffrey Sachs' excellent article ("Power unto itself", December 11) is simple. The most basic rule of a market system demands that decision-making be inseparably linked with risk. This link is severed in the case of the IMF. The fund is not only totally exempt from any financial accountability for what it does, but even allowed to gain from its own mistakes or sloppy work. It determines, or at least co-determines, its clients' economic policies.

But in marked contrast to private consultancy firms, liable and likely to pay compensation for gross negligence, the IMF does not have to shoulder any financial risks. Even in cases of gross negligence by the IMF's staff, the fund has always to be repaid in full. IMF flops make new programmes necessary, allowing the fund to cash more interest, also increasing its importance, since the IMF has made the crisis worse. IMF flops thus tend to create IMF jobs. Fundamental microeconomics teaches us that such an absurd incentive system is not conducive to conscientious and economically sound behaviour. It is absolutely at odds with the essence of western market systems.

Therefore – as I have argued for some time – the IMF, too, must be subject to some market discipline. In countries getting debt reductions, the IMF should be forced to reduce its claims by the same percentage that has to be granted by other creditors. Although such cases would be difficult to handle, one could also allow the fund to be sued for compensation before a neutral court of arbitration. The mere possibility of being successfully sued is likely to increase the quality of work. Bringing market discipline to the IMF would certainly make it more efficient and professional.

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Conditions omitted

From Mr George C. Christofides.

Sir, Edward Mortimer's article "Pyrrhic victory" (December 17), which refers to the EU's offer of a special relationship with Turkey, omits the three fundamental conditions previously established with a view to enabling Turkey to be a candidate for EU membership, namely (a) human rights (b) good neighbourly relations with Greece based on respect of international and European law and (c) progress towards the solution of the Cyprus problem.

Furthermore, Mr Mortimer omits to mention the truly enormous benefits to the Turkish Cypriots resulting from Cyprus EU membership. In any case, the EU continues to extend the hand of co-operation to Turkey. Whether the latter will reject the gesture is a matter of conjecture.

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Worth betting on a renaissance of gold

From Mr Wolfgang Sendler.

Sir, Honestly, which human activity is not equally hit by Yale professor Robert Triffin's remark on the nonsense of digging gold ("Death of Gold, December 13-14)? Possibly 22 persons more or less randomly hunting for a ball? As for the arguments around the inclination of central bankers towards assets more valuable than gold, they may well fit into some economic theories but probably miss the point.

During the last decades we saw a gargantuan blow-up of both paper and virtual money, the latter fluctuating wildly around the globe within barely controllable computer networks, mainly between "great players" like central banks, and just a tiny fraction of it reaching the "man on the street".

Only by unanimously preaching the banning of gold as an admissible currency may these players successfully prevent ordinary people from using it, especially amid increasing mistrust in virtual money.

Insofar as the central banks' aim is simply to secure their monopoly on the issue of money is their strategy comprehensible. It reminds one, however, of a favourite anti-armament idea during the 1960s: "Do not possess nuclear weapons, so the aggressor will not bomb you, since his own damage would surmount his gain." It is not only people of Hiroshima who could explain the flaws of this argument!

Your article stresses correctly the discrepancy between central banking rationalists and ordinary people, but is it certain that those rationalists will control the world economy indefinitely? What if ordinary people decide to resort to the "superweapon" of gold, despite (or even because of!) the fact that central banks have sold and publicly declared it worthless?

Gold is in folks' minds, and as recent events (former Yugoslavia, for example) teach us, old ideas may re-emerge even if they seem long forgotten. Gold will come back if ordinary people remember its traditional role, and I bet some that this will indeed happen. I would bet an even greater amount that this renaissance will be surprising, sudden, decisive and – possibly – doomsday for some central banks.

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Beating the bank panic

The east Asian financial disease is not yet a global pandemic and need not become one. But the danger will be avoided only if it does not both worsen in already affected countries and spread to countries still untouched. This will demand decisive action, both by countries already sick and by those in a stronger state.

In its revised World Economic Outlook released yesterday (see below), the International Monetary Fund is fairly optimistic about the global impact. But no great imagination is needed to realise the size of the risks.

Failure by Korean institutions to meet short-term foreign-currency liabilities might trigger a worldwide panic. Such a panic would do more than damage emerging economies everywhere. It could also inflict devastating harm on a Japan that is, notwithstanding encouraging signs in measures announced last week, still incapable of the decisive action needed to cure its own illness.

The role of the domestic lender of last resort is to supply liquidity, without limit, to solvent banking institutions threatened by a generalised panic. The role of an international lender of last resort is to do the same for sound banks with foreign currency liabilities in excess of the reserves held by the national central bank.

The task now is to ensure that IMF-orchestrated rescues do serve this lender-of-last-resort function. But they must not aim to save every foreign creditor or insolvent institution. How is this to be done, notably in Korea, most important of the wounded?

First, the Korean authorities must learn the lesson from Japan. They should close insolvent banks, while protecting domestic depositors; they should state that all creditors will be required to contribute to the restructuring of insolvent companies; but they must also designate the solvent banking institutions to whose survival they are committed.

Second, central banks of the Group of Seven leading industrial countries must provide enough bridging finance to supply the short-term, foreign currency needs of all apparently solvent banks. Japan's decision to provide $1.3bn (£780m) in bridging loans in advance of money due shortly from the IMF, World Bank and Asian Development Bank is a good example of what is needed. If more is demanded, more must be supplied.

However uncomfortable, letting the foreign lenders to solvent, but illiquid, banks withdraw their money can be justified, because the alternative might be a global panic leading to a general withdrawal of bank credit. But this merely demonstrates the fragility of today's international financial system. After this crisis is over, urgent action will have to be taken to reduce that frailty.

Trade and Asia

The International Monetary Fund's interim World Economic Outlook report paints a fairly optimistic picture of how output growth in the US and Europe could withstand the Asian crisis. Growth, though, is not the whole story. The report also predicts a major shift in the pattern of world trade. And for a number of reasons, the shift could be much larger than the report predicts. Trade balances, and the US trade deficit in particular, are likely to be one of the most difficult issues facing the world economy next year.

Trade will move in Asia's favour for two reasons. First, the contraction in domestic demand in the countries affected by the crisis will reduce their demand for imports. Second, their currency devaluations will boost the competitiveness of their products.

The IMF forecasts that this will reduce the trade deficit of Asia (excluding Japan and Korea) to just US$7bn (£4.4bn) in 1998, from a peak of over $42bn in 1995. The US trade deficit, it says, will rise to $230bn, from $179bn in 1997.

Such an expansion in the US deficit would cause tension enough. But the projections should be seen as a best-case scenario. The outturn could be a lot worse.

First, the IMF's assumptions are, as they admit, optimistic. They assume that investor confidence in Asia starts to return some time in 1998, and that growth rebounds in 1999.

However, recovery could take a lot longer than this. Confidence in Mexico turned around quickly thanks to the rapid introduction of policy changes. Asia has not, so far, shown itself so keen to make the necessary reforms. Slower output growth or a further slide in the currencies could result, increasing the impact on trade.

Second, the Japanese economy is at a critical stage. The IMF predicts output growth next year of 1.1 per cent, and an unchanged trade deficit. But there is still a possibility that Japan could slide into recession. A contraction in domestic demand, perhaps combined with falls in the yen, would increase the surplus sharply.

And third, the changes in the IMF's own estimates push up the global current account discrepancy by almost $50bn. As the IMF says, this has to be accounted for somewhere. The most likely place is in further external adjustment by the Asian economies.

The effect of the Asian crisis on world trade could be very significant, even if its effect on growth is limited. What is essential is that the inevitable concern over trade balances does not translate into damaging protectionism. Policymakers must be on their guard.

Power switch

A foreign takeover of a British electricity supplier is bound to raise public anxieties. Might an absentee owner strip assets or fail to invest, causing power cuts or excessive prices? The industry's regulator stands, of course, between the consumer and such dire possibilities. But could an overseas conglomerate find ways around British law?

The Monopolies and Mergers Commission is reassuring about these issues in its report on the most recent bid in the sector – from PacifiCorp of the US for Energy Group, which owns Eastern Electricity. Margaret Beckett, trade and industry secretary, was right to accept that, subject to a number of assurances and licence modifications, PacifiCorp could renew its bid.

This was a welcome indication that the government will take a reasonably liberal view of mergers in the sector. Mrs Beckett has accepted the regulator's view that the financial strategy of the acquiring company need not concern the authorities, provided that the licence can be enforced on the subsidiary.

There is only one circumstance in which this might not be the case. If a licence-holder or its parent were in serious dispute with the regulator, the licence could be revoked. This would make the company's assets worthless but it might refuse to sell them while blacking out large parts of Britain. The possibility of such blackmail is remote, but it should be considered in the government's current review of regulation.

A more immediate issue raised in the report is the separation of distribution (ownership of wires, transformers etc) from supply (retailing electricity to end-users). When the industry was privatised, these were scarcely considered as separate activities. They were carried on by regional monopolies under strict price controls.

From next year, however, competition is due to start between suppliers. This can work only if suppliers obtain fair access to each other's distribution networks, to reach customers in different parts of the country. And that requires much greater transparency concerning allocation of costs.

The government will need to consider a new regulatory framework to deal with these issues. To guard against cross-subsidy, it may need to tighten the financial ring fence round regional companies' generating activities. Its aim should be to create financial bulkheads behind which competition can flourish in generation and supply, while leaving the regulator to look after distribution.

Creating the right structure is much more important than worrying about who owns which bits of it.

Welfare-to-work Inc

As the UK prepares to reform its welfare state, **Nicholas Timmins** and **Patti Waldmeir** explain how the US is involving the private sector

The really new ideas in US welfare reform are not coming from the state and county organisations that have traditionally run welfare programmes. Neither are they necessarily to be found with the not-for-profits groups – the rough equivalent of the UK's charitable and voluntary organisations – that have long been involved in job training. Instead, the real names to conjure with in US welfare provision are private-sector companies – those in the welfare business to make money.

Prominent participants include Maximus, which floated successfully on the stock exchange earlier this year; Lockheed Martin IMS, a rapidly growing arm of the Lockheed defence giant; America Works; and Curtis and Associates. Although these businesses scarcely existed a decade ago, they now hold between them more than 30 contracts in 13 states. New invitations to tender are arriving almost daily.

As the UK prepares to use private-sector companies to run part of its new welfare-to-work programme, and as some continental European governments consider doing likewise, it is to the US that they are inevitably looking.

Several factors are driving the US down the privatisation road. First, the changing nature of welfare has placed the emphasis on encouraging – even forcing – people into work, rather than on the state merely handing out cheques. This requires different skills from staff mainly used to assessing the eligibility of claimants. The private sector is bringing in people with motivational and marketing skills to din into claimants the message that they can find work.

Second, there is an ideological push: a simple belief that the private sector does things better. And third, some states have legal caps on the number of state employees. The replacement of the welfare system tends to require more intensive work with smaller caseloads, and the private sector is a convenient way around that.

For the most part, private companies are delivering the "job readiness" part of the welfare-to-work package. Richard Schwartz, until recently the senior welfare reform adviser to Rudolph Giuliani, New York's mayor, runs Opportunity America, a private company that trains welfare recipients for big companies such as United Airlines and Sears.

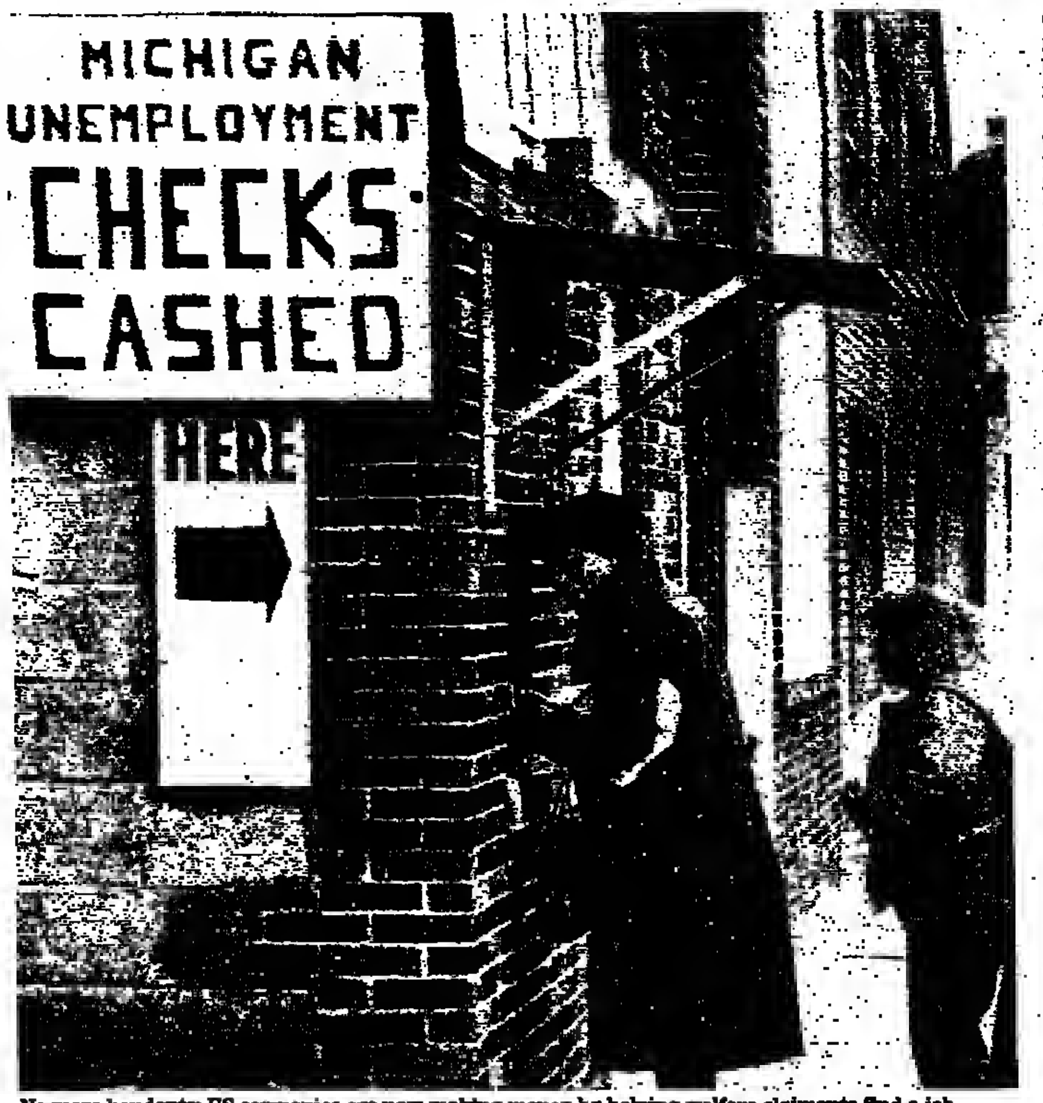
The old programmes, he says, concentrated on "hard" skills, training people to do the specific jobs officials believed employers wanted – for example X-ray technicians or computer operators. "An awful lot of this, however, did not translate into job placements," he says. "Employers often remained concerned that people would not turn up on time or that they would not behave properly at work."

The approach has changed. "Now we concentrate on the so-called 'soft' skills: making sure people know how to turn up every day, work well under supervision and can learn on the job," says Mr Schwartz. "Only after these skills are established do employers concern themselves about the other skills that the job will need. Private-sector companies, because of where they come from, are very responsive to these employer needs."

Companies are usually paid according to the results. Failure to shift people off welfare and into work means no fee – transferring risk to the private sector.

In a few parts of the US, change has gone further still. Companies are taking over the whole welfare system and its entire budget, including benefit payments and the decision on who is eligible to receive them.

Wisconsin has gone furthest. As part of the state's "W2" reform programme, Milwaukee, the home of Harley Davidson and Miller beer, has been divided into six areas, each of which has, since September, been run by the private sector. Four are operated by not-for-profits groups and one by Maximus. The final area is controlled by YW Works, a for-profit organisation created by the Young Women's Christian Association, which has gone into business with Kaiser, a locally based private training company, and CNR Health, which brings risk-management expertise from its background in private health insurance.



No more handouts: US companies are now making money by helping welfare claimants find a job.

The contracts are sophisticated. To stop the companies from refusing benefit, they face a $5,000 fine each time they deny money to eligible recipients. They make money by securing real jobs for people, thus saving on benefit payments. Companies risk losing money if too many people have to rely on subsidised "workfare" jobs.

There is a powerful incentive to succeed, although profits are initially capped at 7 per cent of the contract value. Anything above that is split three ways: 10 per cent to the company, 45 per cent to the state (to cut taxes or improve services), and 45 per cent to the community (for new benefits or extra facilities).

"We welcome that. Our aim is to do better than 7 per cent so that we put something back into the further economic development of the community," says Peter Kaiser of YW Works. "We see it as corporate responsibility. All businesses have to reinvest in the communities they serve, and we're no different."

Jason Turner, who devised this privatisation as the then-programme director for W2, says there are good reasons to use the private sector. "Whether for profit or not-for-profit, companies have to win the right to continue with the contract when it ends, which makes them very responsive and effective. And in a big city like Milwaukee, it is hard to keep a bureaucracy responsive. So we split the city into six and let the private providers compete. In effect, you let a thousand flowers bloom. Each one does it a bit differently. But they steal each other's ideas and that's a natural way to get everyone to improve the system."

Not everyone is convinced. "There is concern about the for-profit sector running the system: that they will be motivated only by profit and cost-cutting," says Jodie Levin-Epstein of the Washington-based Center for Law and Social Policy. "We share this concern, though we don't think there's an inherent reason why you can't make profits while sustaining a programme that everyone from all sides would like. At the moment, however, it's a big unknown."

Ditch that nose ring

Short skirts, fishnets, orange nails and nose rings need not apply.

To enter the world of work, palms must be dry, legs uncrossed, breath fresh and body odour banished. That is the employability gospel according to Maximus, private sector welfare-to-work consultants. And the company will do just about anything – short of buying the shower gel – to make it work.

"Some of the people here have a very low standard of personal hygiene," says Grant Collins, the immaculately dressed manager of Maximus's job-readiness project in Prince George's County, a large black suburb of Washington. Mr Collins' spit-polished brogues, designer raincoat and trendy shaved bald pate underline the Maximus message: success is about packaging.

So his advice to job-seekers in Prince George's is: take that shower, remove that nose-ring and, most of all, dump that attitude of entitlement. "We have to have the courage to say these kind of things," he says, adding that one's appearance is the first step towards restoring self-esteem.

But the Maximus approach in Prince George's is not just tough talk, it is also about "tough love". Welfare recipients attend a two-week "job-readiness workshop" which includes training in telephone technique and job-search skills. Much of the time is spent in a quintessentially American form of motivation therapy, a kind of encounter group for job-seekers.

The aim is to develop the "EQ" or emotional quotient of clients – the pop psychology corollary to "IQ" (the term is drawn from the best-selling self-help book *Emotional Intelligence: why it can matter more than IQ*, which argues that success does not demand a high IQ). In plain English, that means building the confidence and self-assertiveness of welfare recipients, mostly black women, many of them reduced to a state of helpless dependence after generations on benefit.

It means teaching welfare recipients how to function in an alien culture: the world of work, where dependability, reliability and punctuality are at a premium. But it also means learning the cultural habits of those who dominate that world: overwhelmingly, white managers. Mr Collins and his colleagues at Prince George's County Maximus, all of them black, know what it means to succeed in the world of white business. Now they are trying to impart those lessons to unskilled black mothers, with far greater cultural hurdles to clear.

The first of those hurdles is the handshake. "It's not a white thing to shake hands, it's a good business principle," says Mr Collins. "It's not a race thing, it's the culture of employment." But whether handshaking is a "race thing" or a "work thing", many black welfare mothers do not find it natural. Much time is spent practicing the gesture, to ensure the right degree of firmness.

Mock job interviews are conducted at the beginning and end of each workshop. At the start, participants are typically monosyllabic, hesitant, sometimes sullen. They mumble inaudibly when asked why they should be hired, often citing as justification the fact that they "need a job".

But after a fortnight with Maximus's "employment service specialists", the performance is transformed. At the final mock interview, participants are grilled by a three-person panel. A chart on the wall dissects successful interview technique: 45 per cent packaging, 35 per cent responsiveness, 10 per cent experience and 10 per cent miscellaneous.

Maximus gets paid only if the technique pays off, and the applicant ends up getting a job. But the panel – Tom Roberson, Ed Moody and Yvonne Evans – approaches the task with an evangelistic zeal that goes well beyond the desire to earn its keep. This is more than a job – more like a cultural duty. Black America's dream: a job, a step up on the ladder.

Patti Waldmeir

Institutions on the *edge*

Flip side of the coin

Community currencies and digital cash could spell the end for money, argues **Ian Angel**

We all know what money is, don't we? Money is the notes and coins that governments print and mint to facilitate economic transactions. Money is a statement of faith in the value of instruments of exchange. Bearers of such instruments believe the promise that, on demand, or soon after, they may exchange amounts of that money for goods and services to the value specified, or for alternative promissory instruments to that value.

Most of us in advanced economies assume that all commercial transactions require money. Barter is primitive. Or is it? Spontaneous new forms of barter and exchange are occurring, bypassing money – at least in part.

A strange phenomenon has arisen in Kinko copier stores all over the US. As customers queued for copying, printing and other computer-related services, they struck up friendships with others waiting in line. A community of Kinko users appeared and friendships evolved. Teleworkers missing the socialising of an office environment would go to the store even if they had no copying to do. Often these new friends discovered they were potential customers for each other's services. They exchanged advice and bartered services.

But what are the advantages over conventional money transactions? The answer is that recipients of such "favours among friends" do not need to dip into their savings, they avoid paying sales taxes and the seller is paid with a promise of reciprocation that carries no burden of income tax.

Bartering is just the start. A shared sense of trust is all it takes to create a currency. Local communities often have such trust in abundance, so they can issue their own notes of credit to pay for goods and services in and around the locality. There are hundreds of these Local Exchange Trading Schemes (Lets) in the UK alone, issuing acorns, bobbins, cockles, cranes, groats, naarls, stroads and trugs.

The idea was introduced in Canada to reactivate the local economy of a depressed mining community. This cut across the vicious circle of untrusting formality embodied in the banking system. Banks work on creditworthiness calculated on formal employment status or ownership of capital goods. When you are not creditworthy, the cost of borrowing rises and you become even less creditworthy. With Lets, by contrast, the uncreditworthy get credit.

The Lets need the trust provided by a sense of community. Social pressures in a community generally ensure that all debts are repaid, reinforcing a virtuous circle of communal trust. A closed community can play this non-profit zero-sum game for the mutual benefit of all.

Everyone starts at zero, and keeps track of debits and credits by double-entry bookkeeping of IOU tokens. Usually measured in hours of work, these tokens assume that an hour's labour is the same, no matter what the work: babysitting, gardening, window cleaning, hairdressing, consulting. However, as the market for such tokens got more sophisticated, some schemes introduced agreed differential rates to pay for more skilled work such as doctoring, accountancy or advice on computing.

This confused situation is becoming even more muddled as new technology changes the nature of government money. Such money is fast becoming electronic information, mere strings of binary bits stored on a smartcard. At present there are 27 different countries experimenting with such digital money. In the UK, Mondex is running a pilot study in Swindon, Wiltshire.

Using the same technology, Global Exchange Token Schemes (Gets) are possible. What constitutes money will no longer be monopolised by national governments. "Money does not have to be created legal tender by governments," said Friedrich Hayek, the philosopher. "Like law, language and morals it can emerge spontaneously. Such private money has often been preferred to government money, but government has usually soon suppressed it."

In the age of the internet, it may be more difficult for governments to do that. Hayek's vision of the denationalisation of money can become a reality.

This is not a new idea. It was developed by the Chinese family businesses that have spread across the globe over the centuries. "Chip chop" money – otherwise known as *fei-chien* (flying money) – has been used for generations to bypass the national financial regulations of their host countries. A huge underground banking system based on a code of trust has developed within the Chinese diaspora.

At a time when many Europeans are soul-searching over a single currency and monetary union, such alternative currencies can spring up anywhere. With networked tills accepting digital cash, the transaction costs of exchange will become insignificant. It matters little to traders whether there are one or 1,000 currencies in circulation.

Companies can issue their own electronic money. In devising loyalty schemes, supermarkets are issuing "plastic money". Companies can go further by issuing a proportion of their equity as digital cash. Instead of the value of money decreasing as governments profit from the hidden tax of inflation, the value of money can increase if the company's shares go up in value.

The Lets (and Gets) idea could become a mechanism for company money. Buying and selling goods and services within the company community – employees and customers – would become a form of transfer pricing, which, like the above schemes, is invisible to the taxation authorities.

Such company schemes can be computerised and they can go global. And why be restricted to the globe? A satellite can act as a depository for digital cash. Customers send not only their digital cash, but also the digital safe that secures it. The term "capital flight" could take on a whole new meaning.

The worldwide conspiracy over the issuing of money will be smashed. Then, as in William Gibson's science fiction novels, governments will try to ban money. The "control freaks" of government will have finally lost the plot.

The author is professor of information systems at the London School of Economics. This is an extended version of a talk to be broadcast on Channel 4. It is the first in a series of articles on institutions that will be transformed by technology

FINANCIAL TIMES
Monday December 22 1997

Clinton flies to Bosnia prepared to talk tough

By Laura Silber in New York and Bruce Clark in Washington

President Bill Clinton will deliver tough messages to Moslem and to Serb politicians when he arrives in Bosnia today, preparing the ground for an open-ended US peacekeeping effort there.

The president will take Bosnian Moslem leaders to task for obstructing economic reforms which could benefit Serbs and Croats, according to Robert Gelbard, the chief US envoy to Bosnia.

"We are very concerned about the lack of movement on fundamental reforms, such as privatisation and the property law," said Mr Gelbard. He said Moslem politicians had blocked property laws that would enable Croats and Serbs to return to Sarajevo, the capital.

But the US administration will also warn Biljana Plavsic, western-backed president of Republika Srpska – the Serb republic which comprises 49 per cent of Bosnia – that continued US support depends on her co-operation with the peace process.

That means allowing non-Serb refugees, driven out of their territory by the so-called "ethnic cleansing" campaign of 1992, back to their homes – a cornerstone of the Dayton peace accord which has been poorly implemented. Mr Gelbard said the Bosnian Moslem leadership had begun responding to US pressure for action to curb the Islamic fighters who are blamed for killing Croats, damaging churches and for an attack on a US military trainer.

Bill Clinton: preparing for prolonged peace-keeping effort

But in regard to economic issues, the Moslems had recently behaved as though they "want a single state of Bosnia insofar as they will be able to dominate it".

Mohammed Sacirbey, Bosnia's ambassador to the UN, defended the record of his fellow Moslems, saying they were being asked to make a disproportionate number of compromises. "There is a presumption that because we want a single state, we have to sacrifice the most for it... Too many compromises would make a single state meaningless," he said.

During his 24-hour visit, Mr Clinton will try to persuade the US public and Congress that peace-keeping in Bosnia is worthwhile and deserves to be prolonged as long as necessary.

William Cohen, the US defence secretary who until recently was cautious about keeping troops in Bosnia, said yesterday that a collapse of the US-led peacekeeping effort could lead to more bloodshed.

"We'd see a resumption of fighting on scales that might exceed what took place before," he told CBS television. The US presence might "come down somewhat" from the current 8,500 troops – but the administration would think twice about reductions that might jeopardise the mission.

Mr Clinton, in pledging last week to keep troops in Bosnia beyond the expiry of their present mandate in June 1998, said the mission's length would be determined by "benchmarks" of achievement rather than by fixed timetables.

Several senior US legislators are still determined to secure the troops' withdrawal. The Pentagon has been keener than the State Department to end the Bosnia mission.

Patchouli investors on the scent of a killing

By Gary Mead

The next generation of oil billionaires may find their fortunes not in the crude stuff but in patchouli, the woody fragrance that is one of the most important ingredients in nearly all perfumes and soaps.

Prices for patchouli oil have soared this year from about £12 ($19.80) a kg last January to £100 a kg, while the two essential oils most closely associated with Christmas – frankincense and myrrh – have hardly shifted in price.

Patchouli oil, a scent that perhaps reached its apotheosis in the flower power era of the 1960s, is an important addition to most perfume products as it helps to "fix" other fragrances.

Traders in essential oils are particularly concerned about the leap in patchouli prices because, until recently, they have been remarkably stable.

"Patchouli oil has traded at about £8 a kilo for the past eight or so years," said Roger Dyer, UK managing director of Adrian Essential Oils, the Marseilles based company that specialises in aromatic oils.

Prices have been driven up this year by a large production shortfall on the island of Medan in Indonesia where the bulk of the world's patchouli leaves are grown and the fragrant oil is distilled.

Traders say this year's price rise has been caused by farmers shunning patchouli production because of recent static low prices. Farmers have been progressively turning towards other, higher priced crops, such as palm oil.

The severe drought in Indonesia this year has also reduced production, adding to the squeeze.

However, demand continues to grow, particularly in developed countries such as the US, which accounts for 60-70 per cent of annual patchouli oil consumption.

Patchouli is much prized for its warm, green-woody aroma, which has a good fixative value. It helps keep other odours in perfumes or detergents in place, says Mr Dyer.

Retail prices for products using patchouli as a fixative are unlikely to be affected because only tiny quantities of the oil are necessary.

But without an available synthetic substitute that is able to perform as well as the natural oil, the high price may persist for some time.

"Hopefully with the higher prices the farmers will be encouraged to go back to growing patchouli. But even in a tropical climate, this takes time and recent attempts to replant have been dashed in some areas due to the dry weather," says Mr Dyer.

THE LEX COLUMN

Growth gloom

The International Monetary Fund's latest economic forecasts are hardly less shocking for being predictable. Since October it has slashed its 1998 global growth forecast to 3.5 per cent, from 4.3 per cent, while growth in the worst affected Asian economies – Korea, Thailand, Indonesia and Malaysia – is expected to be 3½-4 percentage points lower. If there is a chink of light for investors, it is the IMF's advice that US and European interest rates should not rise for the time being. Set against the risks that the Asian crisis still presents, this is small comfort.

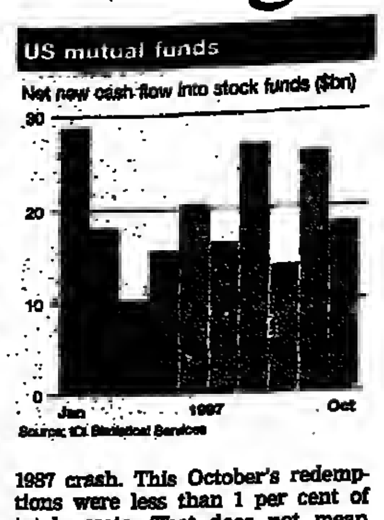
If the IMF can revise its forecasts so drastically in only two months, who can be sure more bad news is not on the way? The key issue here is confidence. When it returns, capital flows will resume, allowing a growth stimulus from the lowering of interest rates. The best way to win this confidence is through harsh medicine, swiftly taken. Thus in Mexico's case the fall-out from the peso crisis saw gross domestic product shrink by 6.2 per cent in 1995, but it bounced back to 5 per cent growth in 1996.

Asia's rehabilitation will be slower, because governments' reluctance to own up to problems has damaged, rather than restored, confidence. With the risks still firmly stacked on the downside, caution is the appropriate watchword. Bonds look a better bet than equities, especially since the IMF's forecasts confirm that downward earnings revisions may well be more than sufficient to offset steady or lower interest rates.

US retail investors

Crisis overseas, profit warnings at home and rising market volatility to boot. America's army of individual shareholders has come under heavy fire of late. But instead of running, retail investors have merely slowed their advance. Preliminary figures from the Investment Company Institute show that net purchases of equity mutual funds in November – taking in the effects of October's mini-correction – slowed from $18bn to around $13bn. That is only slightly down on 1997's monthly average and still represents a healthy inflow.

This is consistent with history. In none of the 14 big stock market declines since 1944 have stock fund owners panicked. The biggest sell-off, amounting to 4.5 per cent of mutual fund assets, came after the



Source: ICI Statistical Services

1987 crash. This October's redemptions were less than 1 per cent of total assets. That does not mean shareholders are insensitive to price movements; anecdotal evidence suggests international funds are suffering outflows while money going into safer bond funds is forecast to have doubled during November.

But the figures underline that it would take a longer and more drastic correction to break investors' devotion to equities, particularly when an estimated three-quarters of them are saving for retirement. It may be that a further downward twist in the Asian crisis will be precisely this event. But while the US economy remains strong and consumers stay confident, mutual fund investors are likely to continue to prop up the stock market.

Volkswagen

With possible delays to production of VW's new Golf following hard on disasters at Daimler-Benz, German carmakers could be forgiven for not exuding seasonal bonhomie. The two companies are facing different problems: Daimler-Benz to the introduction of two completely new products, the Smart and the A-Class, and VW in a fourth revitalisation of its top-selling Golf model. But their underlying causes are the same. With around 30 per cent overcapacity in the European car market, manufacturers are trying to stabilise prices by frantically launching new models, often in unexplored niche segments.

With 20 new models planned for 1997-2000, more than any other European carmaker, VW may be overstretching itself at the expense of its prime cash cow. While Daimler-Benz's reputation and balance sheet may be dented by its foray into the urban runabout range, VW's troubles, for the moment, are likely to have only financial implications.

But what makes the current situation more worrying is the other background noise surrounding VW. Its refusal to justify a postponed DM6bn to DM8bn ($3.4bn-$4.5bn) rights issue is to blame. As a result, the spectre of a large acquisition – possibly of Rolls-Royce or one of a number of European heavy truck businesses – looms over the company. Furthermore, with around 26 per cent of sales to the Asia-Pacific region and Latin America, VW could be among the worst hit by a slump in those markets.

Accountancy mergers

Does the potential divorce between Arthur Andersen and Andersen Consulting mean that the mega-mergers planned by other accountancy firms will lead to similar splits? With consulting growing faster than audit-based work, it might seem inevitable that this cuckoo will outgrow the accounting nest. But that would be some way off for the would-be merger partners at Coopers & Lybrand and Price Waterhouse, and Ernst & Young and KPMG. At this stage, the urge to expand consulting is part of the raison d'être for the deals.

The firms argue that customers want a range of services from one organisation. The auditing side provides a platform of intimate information about the client, as well as credibility. So far, so complementary. The snag is that some companies rule out giving consultancy work to their auditors because they suspect the all-important scrutiny of accounts would be more lenient. They are content to hire different service providers for different jobs.

Of course, the consulting arms of accounting firms want to sell their services to all-comers. But if they do not piggy back on accounting, the potential is clearly there for an increasingly autonomous business to strain at the leash. Customer choice will be the key determinant. If they are really keen to hire multi-disciplinary teams from one provider, the accountants should be able to expand their consultancy work in an integrated fashion. But if the mega mergers proceed, shrinking choice, customers may be less keen to have all their eggs in the same few baskets.

IMF forecast

Continued from Page 1

down 0.2 percentage points from its last forecast.

Output in the European Union was projected to grow by 2.7 per cent next year, a downward revision of 0.1 points from the IMF's previous forecast. The forecast for Britain was reduced by 0.2 points to 2.4 per cent.

The Fund predicted a sharp slowdown in countries directly affected by the currency crises, with South Korea estimated to grow by 2.5 per cent, down from the forecast of 6 per cent. It predicted Thailand would experience no growth in 1998.

BDP probe

Continued from Page 1

Netherlands who had bought shares through BDP. All did appear on the share register of the company.

A Dutch-based businessman said, however, that some Digitec shares he bought to May were not listed. He invested $155,000 in the three companies under a direct-mail approach. On paper, he is showing a loss of 45 per cent.

Mr Gageiro said the Lisbon office was responsible for financial settlements, mailing account statements and custody of share certificates.

Toyota set to invest $400m in expanding Welsh engine plant

By Haig Simonian, Motor Industry Correspondent

Toyota, Japan's leading carmaker, is expected to invest nearly $400m in Britain to produce engines for its new car model, to be built in France.

The investment will go into expanding Toyota's plant at Deeside in north Wales, where output will be increased initially by some 100,000 engines a year to nearly 300,000.

Toyota announced earlier this month that it would build its second European car plant at Valenciennes in northern France. If output there grows as planned, annual production of engines in Wales could grow to almost 400,000.

The carmaker declined to confirm the decision to expand the UK plant, saying only that sourcing for the French factory was still being considered. In October, Yoshimi Inaba, a board member responsible for Europe, said: "That's a very probable scenario."

The Deeside factory, which employs 170 workers, started production in 1992 to supply engines of 1.6 and 1.8 litres to Toyota's Burnaston plant in England, its first European manufacturing operation, and to a unit in Turkey.

In 1996, Toyota said it would spend £60m ($100m) to boost output at Deeside in time for introduction of the Corolla model at the Burnaston plant next year. The money is being spent on raising capacity for 1.6 litre engines and on installing equipment to assemble 1.3 litre engines from parts exported from Japan.

Wales has been successful in attracting spending for engine plants and components. Ford has invested more than $1.6bn in the past 18 years to establish engine production at Bridgend, where output is scheduled to exceed 1m units a year when production of Zetec SE engines starts in mid-1998.

The industry's spending in Wales could rise significantly if Ford's Swansea plant is selected as the source for axles and other components for a planned four-wheel drive sports/utility vehicle.

Toyota's announcement is expected to be timed to coincide with a visit to Japan by Tony Blair, the UK prime minister, in early January.

Wales and Acer, Page 5

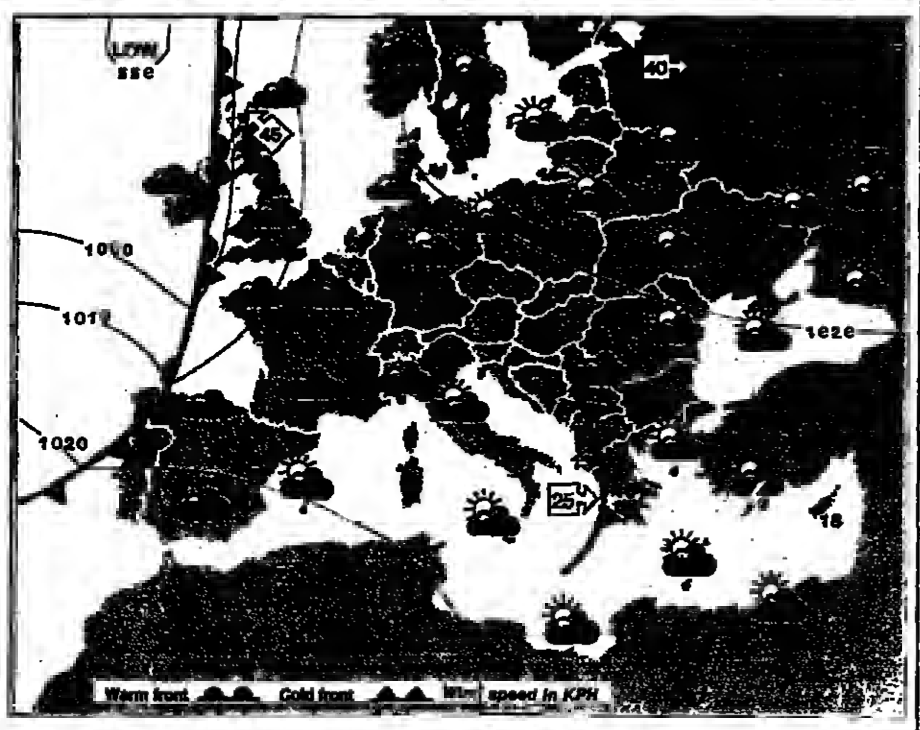
FT WEATHER GUIDE

Europe today

Scandinavia will have flurries of snow, but this will fall as rain towards the west coast of Norway. Central Sweden will stay mostly dry. The Low Countries, Germany, Austria and Switzerland will be mainly cloudy with only a little brightness.
Rain will cross France during the day. Rain in Portugal and western Spain will move into eastern Spain being replaced by sun and showers. The rest of the Mediterranean will have sunshine and showers, heavy in the east.
Eastern Europe will be cold but mostly dry with the exception of snow in the north.

Five-day forecast

The west and north will remain unsettled with spells of rain. Western Europe will be mild for the time of the year with no signs of any snow for the Christmas period. Eastern Europe will be cold with snow flurries.
The Mediterranean will become settled and mainly dry.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum/	Belfast	Rain 9	Chicago	Rain 8	Glasgow	Rain 8	Manchester	Rain 8	Rome	Fair 16
	Celcius	Belgrade	Rain 8	Cologne	Drzzl 4	Hamburg	Drzzl 2	Manila	Fair 30	S. Frsco	Sun 18
Abu Dhabi	Fair 23	Berlin	Cloudy 2	Dakar	Sun 26	Helsinki	Snow -3	Melbourne	Fair 24	Seoul	Fair 7
Accra	Fair 31	Bermuda	Rain 20	Dallas	Cloudy 16	Hong Kong	Cloudy 17	Mexico City	Fair 22	Singapore	Thunder 31
Algiers	Fair 21	Bogota	Shower 21	Delhi	Sun 18	Honolulu	Fair 27	Miami	Shower 28	Stockholm	Cloudy 1
Amsterdam	Cloudy 3	Bombay	Fair 30	Dubai	Sun 26	Istanbul	Rain 14	Milan	Fair 9	Strasbourg	Cloudy 5
Athens	Fair 17	Brussels	Cloudy 5	Dublin	Rain 10	Jakarta	Thunder 34	Montreal	Sun -4	Sydney	Sun 27
Atlanta	Fair 16	Budapest	Rain 5	Dubrovnik	Thunder 14	Jersey	Rain 12	Moscow	Cloudy -11	Tangier	Thunder 19
B. Aires	Fair 24	C.hagen	Drzzl 3	Edinburgh	Rain 8	Johannesburg	Fair 27	Munich	Rain 3	Tel Aviv	Fair 21
B.ham	Rain 8	Cairo	Sun 21	Faro	Shower 19	Karachi	Sun 27	Nairobi	Cloudy 26	Tokyo	Fair 11
Bangkok	Fair 34	Caracas	Fair 30	Frankfurt	Drzzl 3	Kuwait	Fair 19	Naples	Shower 16	Toronto	Snow 4
Barcelona	Rain 15	Cardiff	Rain 10	Geneva	Cloudy 6	L. Angeles	Sun 18	Nassau	Fair 27	Vancouver	Rain 8
Beijing	Sun 2	Casablanca	Shower 20	Gibraltar	Thunder 19	Las Palmas	Fair 25	New York	Rain 4	Venice	Cloudy 11
						Lima	Fair 28	Nice	Fair 15	Vienna	Drzzl 4
						Lisbon	Shower 13	Nicosia	Fair 18	Warsaw	Sleet 1
						London	Cloudy 10	Oslo	Cloudy -2	Washington	Shower 6
						Lux.bourg	Cloudy 3	Paris	Drzzl 7	Wellington	Fair 20
						Lyon	Cloudy 9	Perth	Sun 36	Winnipeg	Snow -4
						Madeira	Fair 22	Prague	Drzzl 3	Zurich	Cloudy 5
						Madrid	Rain 14	Rangoon	Sun 32		
						Majorca	Shower 18	Reykjavik	Shower 6		
						Malta	Fair 18	Rio	Thunder 26		

٢٢ كانون الاول

FINANCIAL TIMES
COMPANIES & MARKETS
Monday December 22 1997 — Week 52

THE EUROMONEY INTERNATIONAL BOND CONGRESS
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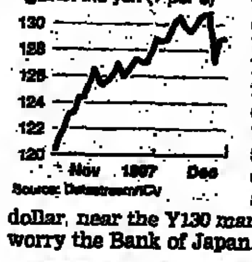
INSIDE

Andersen chief in bid to sever links

George Shaheen, the man who built Andersen Consulting from scratch in 1989 to a $6.1bn concern in 1997 and leads arguably the world's most dynamic people business, is leading his partners in an attempt to free his business from its one-time parent – the venerable accountancy firm of Arthur Andersen, founded in 1913. Page 18

Bank could act on Christmas Day



Traders are afraid that the Bank of Japan may make use of the Christmas Day calm to sell dollars. Last week the bank made what may have been its first intervention in support of the yen since August 1992, selling more than $1bn in US dollars. It ended last week at about Y129 against the dollar, near the Y130 mark that appears to worry the Bank of Japan. Currencies, Page 20

INTERNATIONAL EQUITIES
Listings on ice after Asian upheavals
In spite of the events in Asia and uncertainty in Brazil during the second half, 1997 was a solid if not record-breaking year for American Depository Receipt listings from both developed and developing economies. But the turmoil that started in June has forced some companies to change plans, at least temporarily. Page 18

MARKETS THIS WEEK
New York
The publication of durable goods orders for November tomorrow is likely to show the first rise in three months while data out on Wednesday are expected to show a rise in personal incomes in November of 0.7 per cent.
Page 20

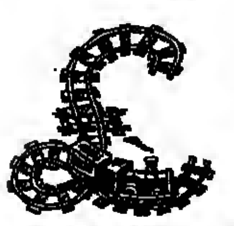
Japan
After last week's rollercoaster ride – with stocks boosted by an income tax cut, then depressed by another corporate failure – traders may look for a quiet week. But Christmas Day sees business as usual, and Japan has a history of releasing important news on that day.
Page 20

Frankfurt
The Christmas break will be a relief to traders who found the German stock market's recovery so rudely interrupted last week. Taking their cue from continued uncertainty in Asia, shares on the Dax index ended sharply down on Friday, by 107 to 4,055.35.
Page 20

EMERGING MARKETS
Turkey shakes off EU snub
Istanbul main index saw a 10.6 per cent gain on the week, closing on Friday at 3,145. This was far from the crash some observers had expected after the European Union's snub of Turkey at the Luxembourg summit. Page 22

COMMODITIES
Tough year ahead for nickel producers
Nickel producers will have to step up cost-cutting programmes, according to AME Mineral Economics, the Australian consultancy. It predicts that next year's average production cost for nickel will be $2.15 a pound, with highest-cost output well above $3 a pound. Page 20

FT GUIDE TO THE WEEK – full listings Page 32



TRACK RECORD
A hand-painted toy German train made by Buchner, which has been in one family since 1849 and has only been used by three children, is today expected to fetch up to £8,000 ($13,000) at the Trains Galore auction sale at Christie's in London.
MEET THE TROOPS
German leader Helmut Kohl visits Sarajevo, the Bosnian capital, to meet German troops serving with Nato's Stabilisation Force tomorrow.
DAY OF THE JAB
About 1.5m children will be immunised against polio in Pakistan on a Polio Day on Saturday.

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Mediobanca pioneer quits

Braggiotti loses power tussle

By James Blitz in Rome

One of the leading modernisers of the Italian banking sector has been forced to leave his job as managing director of Mediobanca, the influential Milan merchant bank.

News that Gerardo Braggiotti had quit the secretive bank emerged on Saturday. He had been involved in a power struggle with Vincenzo Maranghi, the merchant bank's chief executive, for several months.

Mr Braggiotti, 45, is widely regarded as the leader of the new generation of Mediobanca managers. He had long been tipped as a future chief executive of the bank, still seen as the single most influential force in Italian capitalism.

In the face of growing integration of European financial services and globalisation, Mr Braggiotti has led a group trying to end the bank's long-standing obsession with secrecy, its reliance on networks of discreet cross-shareholdings across Italian industry and its lack of transparent corporate governance rules.

In June, Mr Braggiotti was on the verge of resigning after clashing with Mr Maranghi over strategy. However, after the intervention of board members such as Count Pietro Marzotto and Enrico Cuccia, the 89-year-old honorary chairman, Mr Braggiotti was persuaded to reconsider the idea of resignation and was given the post of managing director.

Since then he has played a crucial role in helping to push through a range of high-profile privatisations, including that of Telecom Italia and Banca di Roma.

But tensions continued to run high and there was talk yesterday that these had re-emerged recently during the attempt by Assicurazioni Generali to take over AGF, the French insurance group, in an operation masterminded by Mediobanca.

Italian newspapers yesterday claimed that Mr Braggiotti had been urging that Generali should press ahead with attempts to take over AGF on the open market after the German group Allianz emerged as a "white knight". However, the counter-operation by the German group forced Mediobanca and Generali to settle for an accord under which Allianz would control 51 per cent of AGF.

Mediobanca's fundamental problem is that its intricate web of cross-shareholdings in Italy's big private enterprises is collapsing as Italian private industrial and banking groups restructure and make independent alliances and strategies.

One of Mediobanca's main concerns is whether younger members of the bank who backed Mr Braggiotti will accept his resignation and stay with the bank or consider moving to other institutions.

Big three leave rest behind with deals worth total of $38bn

US banks grab top positions in equity rankings

International equity issues

Bookrunner league table 01/01/97 to 19/12/97

Rank	Bank	Amount ($)	Market share (%)
1	Goldman Sachs	15,495	14.5
2	Morgan Stanley Dean Witter	13,484	12.6
3	Merrill Lynch	9,155	8.6
4	UBS	5,766	5.4
5	SBC Warburg Dillon Read	5,565	5.2
6	Credit Suisse First Boston	5,361	5.0
7	Salomon Smith Barney	4,549	4.3
8	ABN Amro Rothschild	4,346	4.1
9	Dresdner Kleinwort Benson	4,282	4.0
10	Paribas	3,820	3.6

Source: IFR Securities Data

The bulge bracket keeps on bulging. At the end of one of the busiest years on record for international share offerings, the big three US investment banks have grabbed the top three positions in the equity league table rankings.

With $107bn worth of international issues launched by mid-December this year, Goldman Sachs, Morgan Stanley Dean Witter and Merrill Lynch were the favoured deal leaders with more than 35 per cent of the market for all types of share issues. Their combined deals were worth $38.2bn.

The volume of equity offerings was up sharply on 1996, as issuers took advantage of soaring stock markets in the first three quarters of the year. It was a record year for European issuance, with privatisation continuing and retail investors emerging as a powerful market for share ownership.

For European investment banks, the rankings reflect a year of consolidation. The soon to merge SBC Warburg Dillon Read and UBS rank fourth and fifth, according to a provisional equity bookrunner league table from IFR Securities Data, which monitors investment banks. Last year SBC Warburg ranked third. Although it was displaced in 1997 by Merrill Lynch, the combined SBC/UBS had more deals by value than Merrill. Next year will show whether the combination can pull Europe back into the top three ranking.

In spite of the league table jostlings, most bankers say all investment banks had a good year, but the gap between the top three and the rest widened.

"For the first three quarters of the year it was an extremely good story, but the last three months have been selectively difficult," says an executive at one US bank. "But overall it has been an excellent year."

Final rankings for 1997 will be published early in January, but the top three are not expected to change.

League tables can be contentious. "I'm sure we could compile a table that would have us at number one," says Julian Summer, managing director of equity capital markets at Merrill Lynch. But bankers take them seriously, partly because of the prestige.

Goldman Sachs retained its number one position after capturing $15.5bn worth of deals. Dante Roscini, managing director of equity capital markets, says the results are due to a combination of the company's unique structure and experience. "Everybody in this house thinks equity all the time," he says.

Goldman was able to stay top of the league without any deal of the size of the Deutsche Telekom privatisation that boosted it in 1996. Indeed, the one big privatisation the bank led this year – the $4bn issue by China Telecom (Hong Kong) in October – nearly fell victim to the peak of the Asian market difficulties. The share price sank on flotation but has since recovered.

Snapping at Goldman's heels was Morgan Stanley. With $13.5bn worth of issues, it managed to narrow the gap with its arch-rival. It would have done even better if one of its flagship deals – an initial public offering for Korea Telecom – had not succumbed to the country's financial crisis.

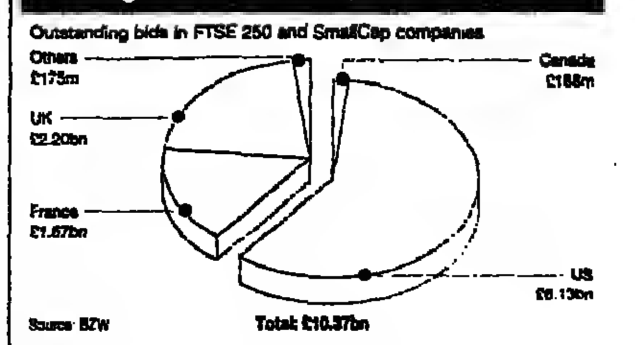
European banks continue to do well in certain areas, particularly in domestic markets. Paribas, for example, achieved one of the choicest mandates – the flotation of France Telecom. The deal helped the French bank climb to the top 10 and pushed it to the number two spot in the initial public offering category.

The mood for 1998 is more cautious than it was this time last year. Many worry about how Asia's financial upheavals will affect global equity markets. "I wouldn't say the outlook is bearish, but it's much more mixed than a year ago," says John St John, managing director and co-head of equity capital markets at Salomon Smith Barney.

However, bankers are looking for a pick-up in issuance from Latin America, and a continuation of Europe's privatisation drive with the advent of monetary union. "Come rain or shine, European governments have to continue to sell stock. It's quite possible you could see the same or greater volume in Europe in 1998 if markets don't get too much worse," Mr St John says.

Vincent Boland

Pending takeovers



N American companies lead rush of UK takeover bids

By Peter John in London

North American investors and companies are fronting a rush of second-line bids, which economists believe could be the beginning of an extended period of consolidation.

There are more than 30 bids outstanding in the UK's FTSE 250 index of medium-sized companies. With a combined worth of £10.4bn ($17.2bn), the takeovers represent 3 per cent of the market value of the FTSE 250 and SmallCap indices.

All but one of the bigger bids – those more than £1bn – involve US buyers. The exception is a £1.67bn offer for Redland from Lafarge of France. Altogether, North America accounts for 60 per cent of second-line corporate activity.

Merrill Lynch has made a £3.1bn offer for Mercury Asset Management, the fund manager; Federal Mogul, the car parts group is offering £1.5bn for T&N, a UK counterpart; and Hercules of Wilmington, Delaware, is involved in a £1.1bn bid for Allied Colloids, the speciality chemicals group.

Lower down the list, Quebecor of Canada has mounted a hostile bid for Watmoughs, the printer, and Carlbiner International is in talks with Visual Action Holdings. Doncasters, the Midlands company with a US listing and shareholder base, has made an agreed offer for engineer Triplex Lloyd. And, on Friday, Flint Ink of the US announced an agreed £100m takeover of Manders, a coating and printing inks group.

The spate of late bids could leave 1997 as one of the most active years for mergers and acquisitions, topped only by 1995, which was skewed by the £9.15bn merger between Glaxo and Wellcome.

The activity has been sparked partly by the severe impact of a strong currency on UK companies.

Sterling has risen by 30 per cent against the D-Mark in the past 12 months and hit exporting companies, particularly the industrial and service companies that are more heavily represented in the FTSE 250 than the FTSE 100.

John Hickling, a fund manager with Fidelity of the US, the world's largest mutual fund group, said: "From a US or foreign standpoint a lot of good, well-managed companies in the UK have been penalised in stock price terms by strong sterling." And Steve Wright, an economist with BZW, believes there are dozens more middle-ranking exporters whose valuations have suffered from the loss of orders prompted by sterling's rise.

"A lot of depressed cyclical companies such as Watmoughs are being taken over. It's a bet on the currency – it's difficult to see the companies as attractive unless the currency turns."

Corporate finance departments are believed to have been looking closely at the balance sheets of companies such as David S. Smith, the paper group that is heavily exposed to overseas earnings, or chemicals companies such as Croda International and Brent.

The enthusiasm for US corporates to enter the UK is matched by North American investors who have been scarred by their involvement in the Pacific Rim and now see Europe as a more secure option.

Scandinavia's NCC to sell half real estate to US groups

By Tim Burt in Stockholm and Norma Cohen in London

NCC, one of Scandinavia's largest construction companies, has agreed to sell nearly half its real estate portfolio for SKr3.02bn ($389m) to a joint venture formed by Morgan Stanley and GE Capital, two US financial services groups.

The decision reflects growing interest among US investors in diversifying property investments abroad, particularly in Europe. Last week, LaSalle Partners, one of the US's largest real estate advisory firms, urged its clients to put up to 10 per cent of their property assets outside the US in 1998.

Jay Mantz, executive director at Morgan Stanley's Real Estate Principal team, said the absence of construction during Sweden's severe property recession in recent years had made Swedish property particularly attractive. Also, the Swedish financial sector's decision to spin off property companies into separate operating companies had created attractive vehicles for acquisition.

"We are interested in increasing our focus in Europe, and Sweden is an area where we have been active for some time as an adviser," Mr Mantz said. This is Morgan Stanley's first Swedish acquisition, although it has made acquisitions in the UK and France and is interested in Italy.

The deal will give Morgan Stanley and GE Capital 130 properties in 50 locations around Sweden.

Although NCC said the disposal would greatly strengthen its financial postion, it conceded it had sold the mix of office, retail, warehousing and residential property for SKr220m below book value.

● Rodamco, the publicly traded Dutch real estate investment company, has acquired RREEF, a leading US real estate investment advisory firm with more than $8bn in assets under management. Rodamco's RoProperty Services will be the new parent company for RREEF, although the new subsidiary will continue to operate under its existing name and management.

Fidelity to deal UK unit trusts and Peps via internet in 1998

By James Mackintosh in London

The first serious attempt in the UK to use the internet to deal in unit trusts and personal equity plans will be made by fund managers Fidelity Investments from January 1.

Fidelity, which has 250,000 online customers in the US, will initially direct its new system just at existing customers, who will be able to switch between funds, buy new units, examine portfolios and calculate exposure to sectors and regions.

However, within six months new customers will be able to open accounts and buy and sell without the need for signatures, according to Zachary Leonard, Fidelity's director of electronic channel development. For most deals, "the regulators have already agreed to the principle of not having to have a paper signature".

Only two small fund managers, Sanwa of Japan and NetPep, a new fund, have sold electronically in the UK, and both require a signature sent by post. Flemings sells Luxembourg-based offshore funds through the world wide web, but has not moved UK unit trusts into cyberspace.

The Investment Management Regulatory Organisation, which covers fund managers, was the first of the regulators to set up a web site. It said online unit trust sales would be possible, given proper security, but Peps might prove difficult. "You have got the extra beastie of the Inland Revenue in there, and they are somewhat less flexible. Signing the tax declaration is a crucial element in buying a Pep," an Imro official said.

All the large British fund managers are exploring the possibilities of the internet. In the US, the internet and automated telephone services have revolutionised mutual funds (unit trusts), with both Fidelity and Charles Schwab creating "fund supermarkets" online allowing buying or selling at any time at no cost.

Trust in complaint about auditor's role

By Jean Eaglesham

The flagship Foreign & Colonial Investment Trust, the oldest and second biggest fund in the sector, has complained to Price Waterhouse, its auditor, about its role in sponsoring the launch of Advance UK, a "vulture fund" designed to target sickly trusts.

Another F&C trust, F&C Smaller Companies, submitted a similar complaint.

The disclosure of these complaints could trigger ructions in a sector where corporate governance issues are becoming increasingly important.

Vulture funds represent a potential threat to management companies, which see them as predators. But trust boards are meant to act in the interests of shareholders, which do not appear threatened by vulture funds, rather than management companies such as F&C.

The news also comes at a particularly sensitive time for F&C, since two of its key personnel, Andrew Barker and Michael Hart, are in the process of taking over as chairman and director general respectively of the trade body, the Association of Investment Trust Companies.

F&C denies that it tried to stop the launch of the vulture fund. "In any healthy sector, you expect some rationalisation. It is a small trust and good luck to them," said Andrew Barker, who manages F&C Smaller Companies.

But he added that "it seems strange to me that Price Waterhouse wanted to identify themselves with that particular vehicle ... I still find it strange that they did it without airing it with us first".

Mr Barker said that Baroness Hogg, chairman of F&C Smaller Companies, had written to Price Waterhouse to express her "surprise to read [in the press] about Price Waterhouse's involvement [with the vulture fund], given our relationship with them".

Price Waterhouse acts as auditor to both the F&Ctrusts. "It would have been a bit pathetic if the trusts had not reacted," said Mr Barker.

He denied that any of the F&C trusts, or F&C itself, had threatened to withdraw the auditing business from Price Waterhouse if went ahead with its sponsorship of the Advance launch.

Mr Barker admitted that the launch of the vulture fund "is likely to be a plus [for shareholders] if you think there is going to be a degree of rationalisation in the sector and [the fund] could help bring it about. But I still think you like to be told about what your auditors are getting involved in before they do it."

He also expressed scepticism about the extent to which Advance UK, which raised £50m ($83m) when it was launched last month, could influence change within the sector. "To give the impression of them as white knights riding down the mountainside and rescuing the whole industry is ridiculous."

Mr Barker believes that concern on the part of some industry insiders about the F&C trusts' actions was being overdone.

"The whola thing is getting blown out of proportion," he said.

France Telecom targets Spanish cable TV sector

By Tom Burns in Madrid

France Telecom has made its debut in Spain's cable-TV sector, emerging as a surprise partner in bids for franchises in the Madrid area.

The French operator has taken a 10 per cent stake in a consortium headed by Cableuropa, a Spanish cable company, which is seeking to provide telephone and interactive services, as well as cable TV broadcasts, to some 750,000 homes in the Spanish capital. It will also provide technical assistance.

The development, revealed on Friday, underlines France Telecom's determination to secure a position in the Spanish market. Analysts believe it could form part of a subsequent agreement to partner Cableuropa in a bid for a third fixed telephony licence, which the Madrid government is expected to award next year.

The main shareholder in Cableuropa is Spainco, a US group formed by Bank of America, GE Capital (the financial arm of General Electric, of the US) and Callahan Associates International, a venture headed by Richard Callahan, former president of US West International.

Franca Telecom was beaten earlier this year by a consortium called Retevisión, which is backed by Telecom Italia, in a tender to operate Spain's second fixed telephony network. The Retevisión partners, which include the Spanish power group Endesa, have also entered bids for the three franchises that will provide cable services to the Madrid area.

Cableuropa and Retevisión have competed for the cabla business in a number of Spanish cities. The outcome of the Madrid licences, which will be awarded by the government early next year, will decide which of the two companies establishes a dominant position in the domestic sector.

Under government guidelines to ensure competition, the owners of the cable franchises have 16 months in which to set up their businesses before Telefónica, Spain's dominant telecoms operator, can offer a rival service.

Cableuropa believes the cable projects will generate investments of some Pta360bn ($2.4bn).

Devastated: the Arndale Centre has now been rebuilt following an IRA bomb in 1996

Arndale Centre 'close to £300m sale'

By James Mackintosh

The Arndale centre in Manchester is expected to be sold to the Prudential, the UK's largest life assurer, for more than £300m ($495m) by Peninsular & Oriental this week.

The sale of the lease on Britain's largest city centre shopping mall – the Prudential already owns the "bead lease" from the freeholder – marks an extension of P&O's disposal strategy, taking net sales of property since last March to more than its £500m target.

Lord Sterling, P&O chairman, has been refocusing the company on its core shipping and ports business.

Last month Bovis Homes was demerged and floated on the London Stock Exchange, and since last year it has merged its bulk shipping, container and short ferry operations with other companies.

It now expects to go well beyond its £500m property disposal target. "It is rather a pleasant way to end the year," an insider said.

Lorraine Baldry, chief operating officer of Prudential Property Management, stressed that the deal had not yet been signed and sealed.

However, she added: "It is an opportunity for us because we have been looking to increase our property holdings."

Because it already has an interest in the property, the Arndale – badly damaged by IRA bombs last year, but now repaired – is more valuable to the Pru than it might be to other buyers.

Capital Shopping Centres, owner of the Metro Centre in Gateshead, is understood to have pulled out of tha bidding after offering a maximum of £270m.

MD Foods International reduces losses from its British operation

By Maggie Urry

MD Foods International, which owns the UK business of the Danish dairy farmers co-operative, reported a reduced loss in its latest financial year, saying that the business had "turned the corner".

MD Foods' UK business has attracted much speculation in tha dairy industry, as rival groups have complained that it has upset the market through its willingness to sustain large losses while expanding its business.

The Danisb parent also said that it was confident of securing a further capital injection from its shareholders in Denmark.

This is expected by the end of February.

There has been speculation that MD Foods has been having difficulty raising the money on attractive enough terms, as shareholders have tired of the large losses in the UK.

Jens Bigum, group managing director, said that "in spite of the problems in the UK, it is my view that MD Foods' position today is stronger than ever before".

David Salkeld, chief executive of the UK subsidiary, said "we have turned the corner and expect continuing improvement in the coming year", although trading conditions remained difficult.

He said £40m ($66m) of investment made in the past two years was beginning to pay off. Another £20m was due to be spent this year, before any investment in a new Leeds dairy.

Analysts said that MD Foods and Robert Wiseman, the Scottish dairy group, were regarded as "upstarts" in the trade, which have acted as catalysts for the fierce price war raging in supermarket milk sales.

Wiseman, by contrast to MD Foods, is profitable. MD makes Lurpak butter, but it is also one of the largest suppliers of milk to super markets in the UK.

MD Foods International, the holding company for the UK activities as well as subsidiaries in Brazil, Korea and Saudi Arabia, lost some DKr187m ($28m) in the year to the end of September, whicb was a 13.4 per cent improvement on the loss of some DKr216m sustained in the previous year. The whole group reported a profit of DKr615m, up by DKr26m.

The UK accounted for all of the loss in MD Foods International, with the other countries contributing a small profit.

However, MD Foods' UK operation said that it had made an operating profit before heavy interest charges, reflecting the high level of debt that had been taken on to fund its aggressive expansion in Britain.

It also said a £4m restructuring charge had contributed to the loss.

Michael Landymore, a food analyst with the broker Henderson Crosthwaite, commented: "In the light of heavy losses to date, one can only admire MD's grim determination to carve out and maintain a leading share of the UK dairy products market."

Lonrho closer to a takeover of JCI

By Andrew Edgecliffe-Johnson

Lonrho, which is trying to transform itself from a conglomerate into a coherent mining gronp, is close to agreeing conditional terms for a takeover of JCI, the South African mining company, despite last week's departure of Mzi Khumalo as JCI's executive chairman.

Lonrho also remains keen for Mr Khumalo, who is still non-executive chairman of JCI, to join its board if the takeover succeeds, despite his apparent falling-out with other directors of JCI.

Nicholas Morrell, Lonrho'a chief executive, is eager to retain Mr Khumalo for his contacts among the Black Empowerment Movement in South Africa.

The UK listed group, which last week sold its Dutton-Forshaw car dealership to a management buy-out, will make its offer conditional on JCI receiving a 27 per cent stake in Lonrho from Anglo-American, in exchange for passing its best gold assets to Anglo.

The offer, which will be mostly in cash, but which is expected to include some shares, will then allow Lonrho to buy back most of tha block of shares.

Lonrho, which is advised by Deutsche Morgan Grenfell, is still carrying out due diligence work to establisb the value of JCI'a remaining assets.

These include the Lonrho stake, a small chrome company, and Tavistock Mining, which Lonrho intends to buy through its 61 per cent-owned subsidiary, Duiker Mining, whose collieries are close to those of Tavistock.

NEWS DIGEST

Barclays to exit from property

Barclays is to abandon its property management aspirations and outsource the running of its £1bn ($1.6bn) UK portfolio, after failing to attract long-term contracts from outside the group.

Barclays Property Holdings will be renamed, and almost half its 470 staff moved or made redundant. John Cottam will continue as managing director.

The remaining staff at Barclays Property Division will set strategy and decide which companies are awarded the management contracts. The change will be phased in over the next year. A decision has yet to be made on who the work will be outsourced to.

Barclays said yesterday that the restructuring cost would "not be material", and added it was hoping to avoid compulsory redundancies. The bank has pulled out because "it is the sort of market that you have to throw a lot of money at to be successful". *James Mackintosh*

Unilever's bug cost

Unilever, tha Anglo-Dutch group, yesterday put its cost of dealing with the millennium electronic bug at £300m ($495m), three times the initial estimate. The bug risks disrupting business activity at the end of 1999 because computers calculating dates with two digits might not be able to cope with the change of century.

Unilever said it had been looking into the millennium problem since the and of 1995 and that awareness of "how deep this issue runs" was still growing.

"A lot of people have not realised yet how serious this is," Unilever said. "Even if large companies can make the necessary changes, this is not always the case with third parties [suppliers and customers] that they deal with." *Samer Iskandar*

Institutional investment falls

Total net investment by institutional institutions in the UK was £14.1bn ($8.5bn) in the third quarter, down £5.8bn on tha last quarter, according to research by the Office of National Statistics.

However, net investment in the third quarter by pension funds was the highest since the last three months of 1996. Gilts suffered a £1.9bn fall in net investment to £3.7bn, whila UK shares fell £1bn to £3.7bn. Net investment in overseas shares was little changed at £1.8bn. *Jane Martinson*

Texaco, Shell sell refinery

Texaco and Shell Oil have agreed to sell a refinery in the state of Washington, and shed some other assets to win regulatory approval for the planned merger of their US refining and marketing operations.

The moves follow pressure from the Federal Trade Commission, which had been concerned about the impact the combination would have on competition in the western states. The agreement, announced on Friday, will allow the two to combine their downstream activities in the west and midwest in a new company, as early as January 1. *Richard Waters, New York*

Shore Capital in partnership

Shore Capital Group, the UK investment group, and Bank Leumi (UK), the London subsidiary of Israel's second largest bank, announced yesterday a partnership to help Israeli companies tap London's financial markets.

Leumi has acquired a 25 per cent stake in Shore Capital and become the main shareholder. Neither company would comment on how much Leumi had paid for the stake, but Shore Capital said the brokerage was worth about £10m. Shore Capital said the partnership would complement its operations. Bank Leumi said the deal provided its clients with new services, while Shore Capital would gain access to its international network. *Avi Machlis, Jerusalem*

Arcon I£1.36m in the red

Arcon, the Irish mining company in which Tony O'Reilly, the businessman, and his family have a substantial stake, incurred a I£1.36m ($2m) pre-tax loss for the half year to August 31, after a one-off charge of I£1.4m relating to the divestment of its hydrocarbon assets into Providence Resources. This compared with a I£27,000 profit last time. *Kenneth Gooding*

NCK Cranes gets a lift

NCK Cranes has been given a new lease of life after being rescued from bankruptcy. The Ipswich-based group is planning to double production over the next few years to about 35 units a year, with most of the machines earmarked for export.

NCK, which was established in the mid-1800s, makes crawler cranes for use in construction. After going into receivership earlier in the 1990s, the company has been bought by Staffordshire Public Works, a private engineering company based in Stoke-on-Trent which makes a range of equipment, including industrial filter presses and controls for mobile traffic lights. *Peter Marsh*

COMPANIES AND FINANCE

True North 'investigated Publicis chief'

By Nikki Tait in Chicago and Andrew Jack in Paris

True North called in private investigators to probe the personal business affairs of Maurice Levy, chairman of France's Publicis advertising agency, according to testimony in a Chicago court.

The Chicago advertising agency is the subject of an unwanted takeover approach from Publicis – and lawyers for Publicis claim that the action is evidence of the US company's intention to build defences against a possible bid by the French firm. "They will go so far in their pursuit of anti-takeover devices . . . that they will hire a team of private investigators to investigate Publicis' chairman . . . for months," they allege.

But, under cross-examination on Friday, Maurice Levy revealed that Publicis made its own acquisition overtures to Bozell Jacobs Kenyon & Eckhardt, a third agency which it is now trying to prevent True North from acquiring. He admitted writing to Charles Peebler, Bozell chief executive, in June, saying that it would be a "great coup" if Bozell linked up with Publicis.

In response to some limited financial information from Bozell, the Publicis chief sent a second letter suggesting an acquisition price of about $300m. This, however, was well below the $400m-plus share-swap deal Bozell eventually agreed with True North.

If True North's purchase of Bozell goes ahead, Publicis' 18.5 per cent stake in the agency – with which it has had a fractious global alliance for years – will be significantly diluted. The French agency has launched a takeover offer for just over 50 per cent of True North, conditional on the Bozell deal being defeated.

Maurice Levy: admitted acquisition overtures to Bozell

True North has taken legal action to freeze the French bid under a temporary restraining order, which Publicis is attempting to get lifted.

Details of the history of bitter wrangling came into the open late on Friday as Mr Levy told the Chicago court of numerous efforts to resolve the difficult association between the agencies.

It was in mid-1996, when the position of Bruce Mason, True North chairman, was under review, that Mr Levy claimed to have learnt from other True North directors that private investigators had been hired by Mr Mason to investigate his personal business.

"I was shocked – the first time in my life I have heard of such a thing," he said.

Publicis and True North negotiated a "divorce agreement" in May, unwinding their global alliance. As a result, True North claims Publicis is obliged to support its independent acquisition plans. It claims the current takeover approach by the French is an obstruction.

Publicis, by contrast, maintains that True North has consistently tried to build anti-takeover defences, and is pursuing the Bozell deal at the expense of Publicis' better offer.

It argues that the True North-Bozell deal fails to address the high reliance on domestic business generated by the two US agencies. It also warns True North shareholders that the Bozell merger will trigger a $80m-$120m provision.

Meanwhile, filings with the Securities and Exchange Commission show that quarterly "advisory fee" payments made by Publicis to Lazard Frères, its financial advisers in Paris, have risen from FFr500,000 ($84,000) to FFr1m since October 1997.

VW silent on reports of Golf problems

By Graham Bowley in Frankfurt

Volkswagen has declined to comment on reports that production of the new generation Golf, Europe's best-selling car, had risen much more slowly than expected because of last-minute design changes.

The carmaker's shares fell on Friday after German press reports raised fears that production problems were causing delays and costing the company more than expected.

A report in Der Spiegel magazine claimed that delays would cut VW revenues next year by about DM1.5bn ($840m) and that profits would be reduced by a figure in the double-digit millions of D-Marks.

VW had already indicated that production of the Golf was running behind schedule, in part because of safety improvements which meant it was struggling to meet strong demand for the new vehicle.

But the reports pointed to an even greater slowdown in production. Der Spiegel said VW had built only 71,000 new models and would produce 80,000 by the end of this year, well short of its 136,000 target. The magazine said VW had postponed the new Golf's launch in Italy and the UK as a result of the production delays.

On Friday, VW shares closed down DM33, or 3.4 per cent, at DM949. However, the German Dax index of 30 blue chip stocks was also lower, closing down 107.57 at 4,055.35.

The production difficulties come at a sensitive time for the German car industry. Daimler-Benz last week suffered a second blow to its image when it admitted its new Smart urban car would be delayed because of safety and production problems.

The delay to the Smart came weeks after delivery of the Mercedes-Benz A-Class was postponed until next year after it rolled over in "moose tests", designed to examine the car's handling.

VW will be keen to build confidence in the expected relaunch early next year of its aborted DM6bn-DM8bn share issue. The capital increase was postponed in October, after VW shares were caught up in the turmoil on world markets.

See Lex

Salomon move threatens US utility deal

By Richard Waters in New York

The first hostile takeover in the US electric utility industry is in danger of coming apart after a highly unusual refusal by Salomon Smith Barney, the adviser to the bidding company, to back the terms of the deal.

The move threatens to derail an 18-month attempt by Western Resources, an electric company based in Kansas, to win control of local rival Kansas City Power & Light – an attack by Western Resources was seen as ushering in a new era of consolidation in the staid electric utility industry.

Signs that Western Resources itself may have got cold feet over the transaction emerged early last month, though both companies said at the time that they planned to proceed with an agreement hammered out in February.

Late on Friday, however, it emerged that Salomon, which has been advising Western Resources, had indicated that it may not issue a so-called "fairness opinion" on the terms of the deal.

These opinions are formal reports issued by a company's investment bank adviser to confirm that the terms of a merger are in its shareholders' interests.

Western refused yesterday to discuss why Salomon had balked at the deal, but added: "Hopefully, we'll be able to meet [with KCPL] and resolve this issue." Salomon could not be reached for comment.

According to one source close to the transaction, however, the deal had been put in jeopardy by the sharp rise in Western Resource's stock in recent months, which has boosted the value of its all-stock offer. The company's shares have climbed from about $30 at the time the deal was announced to $41¼ at the end of last week.

That has boosted the offer for KCPL to nearly $38 a share. Western originally agreed to pay $32 a share, but KCPL shareholders stand to receive more if Western's stock moved outside a trading range which was agreed at the time.

KLM seeking alliances in Asia

By Gordon Cramb in Milan

KLM intends to secure a strategic alliance with at least one Asia-Pacific based airline next year, to build on a global network which is being given a substantial boost by a tie-up last week *with Alitalia.*

"The priority in 1998 will be finding an Asian partner," Leo van Wijk, president of the Dutch carrier, said on Friday at a ceremony in Milan to seal the deal with Alitalia. "This is not the last initiative we will launch."

Japan Air System is among two dozen carriers worldwide with which KLM has co-operation agreements of some sort, but its network is limited and the Dutch group is understood to be looking for more than one regional heavyweight.

Initial speculation has centred on Hong Kong'e Cathay Pacific, although KLM declined to indicate a preference.

The Dotch carrier also needed to strengthen its position in the US market, *Mr van Wijk added.* KLM and Northwest Airlines this autumn extended their eight-year-old partnership. Alitalia's co-operation accord with Continental Airlines is to stay in place until 2002, and the European carriers hope that their US allies will find ways of collaborating.

Donald Kalff, KLM vice-president and its chief negotiator with Alitalia, said: "It is a pity that Northwest did not at this stage succeed in striking a deal with Continental."

Mr van Wijk estimated tha benefits from putting together the Dutch and Italian networks as reaching "some hundreds of millions of dollars" within two years. This was before the two explored ways of bringing down operating costs, including staff numbers.

Integrating aircraft fleets, engineering and maintenance, and data systems are also excluded, although the deal to come into effect next November will from the outset includa a linking of freight operations.

Cargo was brought into the KLM-Northwest alliance only this year.

Banks vie for NatWest, BZW Asia mandates

By Louise Lucas in Hong Kong

While buyers mull over the sale of the Asian arms of two investment banks, rivals are circling with a different aim in mind – to snatch mandates.

Both BZW Asia, in talks with CSFB, and NatWest Markets in Asia, part of National Westminster Bank of the UK, are for sale. The two have been active in one of the most sought-after businesses: bringing mainland companies to market.

The turmoil in Asian financial markets has virtually wiped out the IPO calendar for the Asian countries next year. Instead, attention is focused on greater China: the mainland, Hong Kong and Taiwan.

BZW Asia has run down the bulk of its IPO list – its last big red chip mandate, for China National Aviation Company, was floated this month – but NatWest Markets still offers rich pickings.

Shanghai Municipal Electric Power, a mainland company looking to raise about US$350m in a dual listing, is one mandate which a number of banks are trying to grab. Sichuan Chemicals, a mainland enterprise which was to have come to market this year, has also attracted attention.

"All the banks involved in the initial pitches are clearly in there trying to wrest them away," said one US banker. "It's part of the game: all's fair in love and war."

Merrill Lynch and Morgan Stanley Dean Witter are understood to have "re-pitched" their services, and bankers said it was natural to stress to would-be clients that they could suffer if investor confidence in their existing sponsor crumbles. "There is no etiquette [in this game]," said Tim Freshwater, deputy chairman at Jardine Fleming Securities.

Like its peers, the Hong Kong-based investment bank has been quick to capitalise on the sale of BZW Asia and NatWest Markats. Banks undergoing consolidation – such as UBS and SBC Warburg Dillon Read – are also regarded *as fair game.*

"The companies themselves, and the [Chinese] government have to look at the eituation. Part of the mandate is having the confidence to be able to execute the deal around the world," said one banker.

Some banks are using slightly subtler techniques to wrest mandates away – hiring corporate financiers from the banks which are being sold. In a relationship-driven business, the hope is that contacts may walk too.

In October, Salomon Brothers hired Guo Chang Huan as managing director and co-head of Asia Pacific investment banking from BZW Aeia. A banker involved in the Shanghai *Municipal Electric* deal for NatWest Markets is now with Merrill Lynch.

Meocre Li, who beads NatWest Markets' corporate finance division, remains *in situ* – for now – and NatWest Markets said it was maintaining close contact with all clients.

But investment bankers, their inherent aggression honed by slack market conditions, reckoned this would not be enough.

CONTRACTS & TENDERS

AGF stake in Coface to be cut

By Andrew Jack in Paris

AGF, the French insurer, plans to reduce its controlling stake in Coface, the trade credit insurer, to a maximum of 30 per cent once it is taken over by Allianz, of Germany.

The move, diluting AGF's existing 57 per cent stake to as low as 25 per cent, comes in response to domestic political concerns about export credit guarantees underwritten by the state and administered by Coface falling into foreign hands.

Scor, the French reinsurance group, has already expressed interest in raising its stake from 20 per cent to 40 per cent, and others negotiating the acquisition of shares include the mutualist banks Crédit Agricole and Banques Populaires.

The discussions are likely to advance rapidly following the agreement reached on Friday between AGF and the two rival insurers bidding to take it over: Generali, of Italy, and Allianz.

Generali, which launched a FFr55bn ($9.3bn) hostile bid for AGF in October, has agreed to abandon its offer.

Instead, it will launch a DM210-a-share offer for AMB, valuing the German company at DM11bn ($6.2bn). AGF, which owns 33.5 per cent of AMB, and Allianz, with a further 8 per cent, will both sell their shares to Generali. Allianz's allies, Munich Re and Dresdner Bank, are also expected to bring their support.

That would give Generali more than 60 per cent of the capital of AMB, although the Italian insurer hopes to obtain about 80 per cent including support from other minority shareholders.

It will also pay just over FFr5bn to acquire GPA and Proxima, units of the French insurer Athéna, which was bought by AGF last week. AGF will buy the Dutch interests of AMB for FFr4bn, and give Generali first right of refusal on any other French insurance interests sold in the next two years.

In an interview at the weekend, Antoine Jeancourt-Galignani, AGF chairman, criticised suggestions there had been a "sweet-heart" deal which would run against shareholders' interest. "This will be sweet above all for shareholders," he said. "If our shares do not rise to about FFr320 by June 2000, Allianz has the right to buy us out. That gives us a very strong incentive to improve performance."

He argued that French stock market regulations did not preclude talks between rival bids during a takeover, and stressed that once the French government formally approved the Generali and Allianz bids in the next few days, there was still time for other companies to launch their own, higher offer.

Shaheen leads freedom bid

George Shaheen is apparently bemused by the interest taken in him. The man who built Andersen Consulting from scratch in 1989 to a $6.1bn business in 1997 leads arguably the world's most dynamic people business. No wonder the people want to know what he's like.

As the new year passes that interest may become an obsession. Mr Shaheen is leading his partners in a high-profile attempt to free his young business from its one-time parent – the venerable eccountancy firm of Arthur Andersen, founded in Chicago in 1913.

But like the virtual global firm he wants to lead – from e leptop headquarters that goes wherever he does – Mr Shaheen is a difficult person to pin down. What is clear is that he loves the business he has built.

Colleagues, of which there is a close-knit band at the top of Andersen Consulting, praise his powers of delegation and find him funny, quick and loyal. "But," says one close adviser, "some people are clearly a product of things . . ." What things?

George Shaheen: ready to fight for Andersen Consulting

Is it the childhood spent in the mid-west grocery store run by his father, surrounded by a sprawling family including two sets of grandparents, one from Poland and one from the Lebanon? Is it being a twin? (His brother is a vice-president at Caterpillar, the world's largest maker of construction equipment.)

The mid-western childhood sounds idyllic, the large family a stable background. He took a bachelor's degree in marketing and a master's degree in finance at Bradley University in Peoria, Illinois, the typical middle American town. He joined the Andersen organisation in 1967, and became a partner 10 years later.

Then came the untimely death of his first wife in 1978. He was suddenly a single parent with children aged five and seven and seriously considered giving up the career. He bought a roadster to run the children out for rides at weekends.

But he stuck with consulting, remarried and lives with his wife Darleen in the San Francisco bay area. He became the first managing partner of the new Andersen Consulting in 1989.

His office is at the local Andersen Consulting "solution centre" in Palo Alto. In spite of the virtual office image he has family photographs on the desk.

He has talked of the effects of his first wife's death as giving him a "real anchor for security". Friends say his idea of a good time is to go out and spend several hours over a meal talking. He likes a cigar and good wine and plays golf badly. Others see a man driven to succeed: a "perpetual-motion machine", according to one report.

There is no doubt Mr Shaheen is loyal: loyal to Andersen Consulting. He often talks about the need to secure the future of its staff and partners. The problem is that this loyalty is seen as betrayal by partners at Arthur Andersen. They think he should be trying to keep the whole organisation together, not asking an independent arbitrator to tear it apart.

It is clear that over the years tensions have grown between the two halves of the Andersen family. Mr Shaheen will not have taken well the presumption by some senior executives at Arthur Andersen that they owned Andersen Consulting. Mr Shaheen is quite clear: there is no "cross-ownership" between the two businesses.

Meanwhile, Andersen Consulting has become a business to envy. Annual revenues grew at more than 20 per cent as Mr Shaheen directed expansion into massiva IT consultancy and business transformation. He proved adept at laying down strategy, but letting others he trusts run their own fiefdoms. "He likes his people to hava front positions," says one insider.

He turns the critics' charges of disloyalty back on Arthur Andersen – and the organisation'a umbrella body, Andersen Worldwide. Both, he says, have broken promises made at the so-called Florida Accords of 1990, which set the ground rules for the two firms to operate as "separate, but complementary" units.

He sounds genuinely exasperated when he says he has warned for years of impending trouble – and says he tried to find a peaceful solution. Now, however, he is clearly ready for a fight.

Jim Kelly

See Lex

Microsoft net title to charge for access

By Richard Waters in New York

Slate, the internet magazine owned by Microsoft, is preparing for a second time to charge its readers – a move that will test the willingness of users to pay for online information they are accustomed to receiving free.

The magazine's abandonment of a plan to charge visitors to its web site was seen at the time as symptomatic of the culture of free access which has grown up around the internet.

Michael Kinsley, editor of the political and cultural publication, wrote at the time that he still expected the magazine to charge eventually.

This weekend, Mr Kinsley revealed that Slate would start to charge for access "sometime early next year". The amount was still under discussion.

The magazine, launched 18 months ago, had planned from the beginning to charge readers $19.95 a year, but said at the outset that its billing systems were not ready. The initial plan was dropped in January, shortly before the charge was due to take effect.

Under the headline "This time we mean it", Mr Kinsley said at the weekend: "There is evidence that, as the web matures, the resistance to paying for content is crumbling. Still, there are people who continue to refuse, on some principle, to even consider paying for web content."

Justifying Slate's move, Mr Kinsley pointed out that other publications, such as The Wall Street Journal, The Economist and Business Week, had already begun charging for internet access, and that "thanks to sites like Amazon.com [the online bookstore], more people have become comfortable with the idea of paying for things on the web".

INTERNATIONAL NEWS DIGEST

Rio metro sale nets R$292m

A consortium has paid R$291.6m (US$261.7m) – more than 10 times the minimum price of R$28.6m – for a 20-year concession to operate Rio de Janeiro's urban railway system, the Metro. The auction, the first of eight planned for concessions to operate urban transport systems in Brazil, was a further demonstration of the appeal of Brazil'e privatisation programme to foreign and local investors.

The winning consortium – formed by Cometrans, of Argentina, and Opportunity, a Brazilian investment bank – beat three others whose members included Emepa and Metrovias, both of Argentina, and RATP of France, which made offers of between R$111.1m and R$205.6m.

Claudio Cirigliano, president of Cometrans, said it would take part in all future auctions for urban transport concessions. The price paid for the Rio Metro, which operates at an annual loss of about R$75m, was justified by the company's long-term plans for Brazil.

Marco Aurélio Alencar, finance secretary of Rio de Janeiro state, said the price had been set low to ensure the auction's success. *Jonathan Wheatley, São Paulo*

■ TRUSTOR

Court blocks bid to recover assets

Trustor, the Swedish investment company at the centre of a SKr620m ($80m) fraud inquiry, has suffered a setback after a Luxembourg court blocked its bid to recover SKr417m of assets frozen in a Luxembourg bank. Trustor'e claim to the funds, deposited in its account at van Lanschot bank in October by Lord Moyne, the company's former controlling shareholder, has been disputed by ITC, a Cayman Islands bank. It maintains it has title to the money, saying it was a short-term loan to Lord Moyne.

Lord Moyne, of the UK Guinness drinks family, is suspected by Swedish prosecutors of involvement in the alleged fraud at Trustor. The Luxembourg court ruled the SKr417m should remain frozen until the Trustor scandal had been investigated. A lawyer representing ITC said the case was unlikely to be resolved for several years.

The ruling is a blow for Trustor's minority shareholders, who have applied to a Stockholm court for a compulsory liquidation against Trustor. It means Trustor has a SKr485m hole in its balance sheet following Lord Moyne's acquisition of a 51.8 per cent voting stake in June. On Friday, Trustor's most-traded B shares fell SKr0.50 to SKr44.50. *Greg McIvor, Stockholm*

■ GENERAL ELECTRIC

$4bn extra for buy-back scheme

General Electric, the US industrial and services giant, signalled the end of another year of strong cash flow growth as it lifted its dividend 15 per cent and set aside another $4bn to repurchase its own shares. Jack Welch, chairman, said the moves demonstrated "confidence in the outlook" for the company, which has raised its dividend in each of the past 22 years.

Since starting to buy back its own shares three years ago, GE said it had paid a total of $9.8bn for 243m shares. The extra cash that had been set aside was intended to "extend the repurchase programme at an annual rate of $3bn-$3.5bn through 1999", said Mr Welch. The dividend increase will lift the quarterly pay-out from 26 cents to 30 cents. GE shares have surged by more than 60 per cent so far this year; on Friday they closed at 73\frac{1}{16}$, a decline of $$\frac{15}{16}$ on the day. *Richard Waters, New York*

■ OIL

Saga to develop North Sea field

Saga Petroleum, Norway's largest independent oil producer, has announced plans to invest NKr11bn ($1.52bn) to develop its Snorre 2 oil field in the North Sea. The company, which last week announced write-downs of $50m-$60m in other North Sea fields, said that Snorre 2 field could yield about 110,000 barrels a day, with total reserves of 365m barrels.

Estimated reserves in the field have increased sharply since the late 1980s, when Saga predicted it could contain reserves of 214m barrels. "Continuous focus on resource exploitation and implementation of new methods and technology have increased the reserves of the Snorre northern areas by some 70 per cent," Saga said. On Friday Saga's most heavily traded B shares fell NKr1 to NKr110. *Tim Burt, Stockholm*

■ YAMAICHI

Taiwan group buys HK unit

Core Pacific, one of Taiwan's biggest securities companies, yesterday concluded its agreement to buy the Hong Kong operations of Yamaichi, saying it would pay more than $80m for the failed Japanese broker's businesses in the territory. The Taiwanese group, which is pursuing an ambitious expansion strategy, will acquire the entire issued share capital of Yamaichi international (Hong Kong), including subsidiaries, and has agreed to retain all staff working for these companies operating in Hong Kong. *Louise Lucas, Hong Kong*

■ SWEDEN

Incentive steps up sell-offs

Incentive, the industrial arm of the Wallenberg business empire, has stepped up its non-core disposal programme by selling its Hägglunds Drives subsidiary to Atle, the Swedish conglomerate, for SKr360m ($46.5m). The company, which earlier this year sold its Hägglunds armoured vehicles business to Alvis, of the UK, said the disposal underlined its continued focus on medical technology and healthcare. On Friday, Incentive shares rose SKr7 to SKr700. *Tim Burt*

■ UPM-KYMMENE

Share repurchase considered

UPM-Kymmene, Europe's largest pulp and paper producer, has said it is considering a share buy-back next year. The Finnish group declined to predict the size of any repurchase or the exact timing. The proposal follows a sharp increase in underlying operating profits, which rose from FM3.19bn to FM4.43bn ($829m) in the first half of the year. *Tim Burt*

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Philip Coggan

Emu run-up should lift equities

Last week'e cut in Spanish interest rates to a historic low of 4.75 per cent was a reminder that the process of convergence ahead of European economic and monetary unioo still has some way to go.

Most of tha good oews may have been priced into the bond markets but the short end of the yiald curve also has to become aligned, perhaps as soon as May 1998, wheo the Emu constituents and their conversion cross rates are due to be set.

There are still some big discrepancies between European short term rates.

While German threemooth interest rates are still just below 3.75 per cent, in Italy they are 6 per ceot, in Ireland about 5.8 per ceot, in Portugal 5 per cent, and in Spain, 4.75 per cent.

Central bankers are likely to have a vigorous debate ebout where rates will converge. But with unemployment high in many core countries, and a deflationary threat from Asia likely to cootinue into the new year, It is hard to see rates converging at much higher than 4-4.25 per cent. Certainly, some promineot bankers have been suggesting that convergence will occur at the lower, rather than the average, level of European rates.

That means that Italy, provided it qualifies for the single currency, could see Interest rate cuts of up to 2 perceotage points. Spain, already growing at 3.4 per cent a year in the third quarter, could enjoy another 75 basis points worth of cuts. Even Ireland, which has grown at an average of 5.75 per cent over the past five years, could cut rates by 1.75 points.

The Irish economy would seem to pose a policy dilemma; cutting rates in such a fast-growing economy would look entirely inappropriate. The answer will probably be a revaluation of the Irish currency when the cross-rates are set, and the punt is already at the top of the European Monetary System grid.

Nevertheless, sucb sbarp cuts In interest rates in all these countries should have a significant impact on economic growth, particularly as governments are unlikely to want to indulge in further masochistic tightening of fiscal policy after all the pain of the Emu run-up.

The effect on equity markets will differ from country to country; if the punt does revalue, for example, there will be a marked difference between the performance of Irish exporters and domestically-oriented stocks.

The good news for stock markets is not merely confined to the reduction in corporate borrowing costs or to the boost to the economy that will result from a sudden drop in short term interest rates.

There may also be a further shift towards the equity culture as domestic investors suddenly find their casb deposits yielding much less than oormal, and fund managers in other Euro countries are able to Inveet across borders with a much reduced fear of currency losses. Portugal, which has just been included in the MSCI index, could be a particular beneficiary of overseas flows.

Of course, the key question is whether this sudden adrenalin shot to stock markets is already priced in to shares.

Analyets are already adjusting their sights; according to IBES, Ireland, Italy and Spain were all the beneficiaries of earnings upgrades in Novemher, despite the fact that forecasts worldwide fell in response to the Asian crisis. Italy is trading oo a price-earnings ratio of about 19, well above the world average of 17.

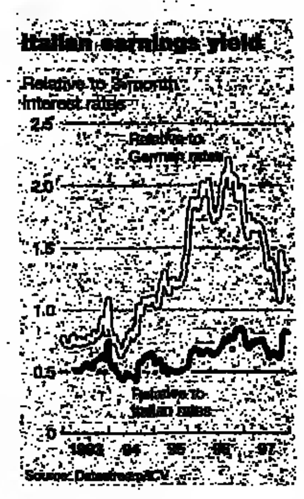
If you compare the earnings yield on the various markets with the domestic thrae-month Interest rate, the markets do not look that enticing. Italy has an earnings yield/cash ratio of some 0.7 (about the same as the UK's); while Ireland and Spain have ratios of 1.

But compare their earnings yields with German three-month rates and the picture then looks quite different; all three markets trade oo a ratio of about 1.3.

In the case of Italy and Spain, such a ratio would put equities at their cheapest level at any time in the last five years and Ireland would be at the cheap end of its five year range.

In the long run, next year'e policy shift will be nothing like the free lunch it seems in the short term. Such a dramatic boost to growth from monetary policy will inevitably lead to a build-np in inflationary pressures.

Those pressures can no longer find an outlet in the exchange rate and so may show up in the real economy, as exporters gradually lose competitiveness due to rising costs. Bnt that process may take a few years to come through and, In the meantime, share prices can make hay.



Total return in local currency to 18/12/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.04	0.07	0.07	0.12	0.14
Month	0.47	0.04	0.29	0.29	0.55	0.62
12 months	5.81	0.56	3.28	3.42	6.48	6.95
Bonds 3-5 year						
Week	0.37	-0.23	0.46	0.49	0.48	0.52
Month	0.55	-0.41	0.97	0.96	1.53	1.46
12 months	7.74	3.03	4.75	4.18	12.22	9.25
Bonds 7-10 year						
Week	0.66	-0.24	0.70	0.66	0.87	0.57
Month	0.53	0.07	2.60	2.11	3.65	2.28
12 months	9.73	7.44	11.24	9.10	22.07	14.78
Equities						
Week	0.1	0.1	3.0	1.8	4.9	2.4
Month	2.1	-4.2	8.2	5.1	8.6	6.5
12 months	33.1	-15.5	43.9	32.8	63.7	30.0

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Excel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

INTERNATIONAL EQUITIES By John Labate

Asian turmoil puts ADR listings on ice

While Asia's currency crisis has put a damper on US listings by companies based in emerging economies, many such companies remain in the wings and plan to enter the US financial markets next year.

That is one of the trends seen by analysts who track tbe market for American Depository Receipts.

ADRs are issued hy noo-US companies and trade in the US financial markets. The share values of ADRs usually trade in tandem with shares listed In the company's home country.

In spite of the Asian turmoil and uncertainty in Brazil during the second balf, 1997 was a solid if oot record breaking year for ADR listings from both developed and developing ecooomies.

But the Asian turmoil that started in June has forced some companies to change plans, at least temporarily.

"A number of companies that anticipated coming to market io 1997 decided to keep a close eye on the markets rather than move," said James Dooovan, global managing director for depositary recelpts at Citibank. He expects many of these companies to attempt to ralse capital in the US in 1998, which could make it another strong year of ADR listings.

Investors may also focus more on regions outside Asia, or on Aslan countries, such as India, that have not been as hard hit by the curreocy crisis.

"Companies In central and eastern Europe will gain from concerns in Asia," says Kenneth Lopiao, a senior vice president at the Bank of New York.

Citibank estimates that $17bn raised in ADR listings this year, down 13 per cent from 1996 levels.

Analysts say that, had it not been for the Asian crisis, 1997 may have approached or even exceeded the previous ADR capital raieing record, which was set in 1994 when $20bn was raised.

Citibank also estlmates that 1997 will establish a record for trading volume of ADR shares, with a projected volume of $481hn, far outpacing the old record of $344hn set last year.

The main story for 1997 remains the comehack of emerging market ADRs, as the market continued to recover from the sharp falloff that occurred In 1995, following Mexico's currency crisis.

In 1997, hy Citibank estimates, emerging markets accounted for 65 per cent of the total $17bn In capital raised in the ADR market, up from 46 per cent in 1996.

In addition, eight of the top 10 companies ranked by capital raisings came from emerging regions, led hy Brazil's Unihanco-União de Bancos Brasileiros, which raised nearly $964mn.

Another trend spotted by the Citibank etudy Is a "cushioning effect" during the second half of 1997.

The four worst-performing Aslao markets, Indonesia, Malaysia, the Philippines and Thailand, lost on average 60 per cent in US dollar terms according to Citibank. Ordinary shares of companies in those countries with ADR listings, however, lost only 52 per cent of their value.

There may be other benefits for companies with ADR listings.

In a study by Stephen Foerster, an associate professor of finance at the University of Western Ontario, 150 companies with ADR shares from developed countries were tracked one year before and one year after their ADRs were listed.

"We found there was a tendency for the beta, or volatility, to decline relative to their local market," he said, adding that the declina in volatility was as great as 28 per cent for companies with ADR shares relative to their local markets.

The year in ADRs

Top 10 capital raisings from emerging markets (to Dec 16)

		$m
[illegible]	[illegible]	[illegible]
Taiwan Semiconductor Manufacturing	Taiwan	594.7
[illegible]	[illegible]	[illegible]
MATAV	Hungary	555
[illegible]	[illegible]	[illegible]
Companhia Paranaense de [illegible]	Brazil	485.4
[illegible]	[illegible]	[illegible]
Lukoil (PORTAL)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Petroleo Brasileiro (PORTAL)	Brazil	285.7

Top 10 countries (based on number of new companies issuing ADRs year to date)

Rank	Country	number of issues
[illegible]	[illegible]	[illegible]
2	Australia	14
[illegible]	[illegible]	[illegible]
[illegible]	Russia	[illegible]
[illegible]	[illegible]	[illegible]
6	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
7	Hungary	7

Top 10 capital raisings from developed markets (to Dec 16)

		$m
[illegible]	[illegible]	[illegible]
Ispat International	Neth	929.6
[illegible]	[illegible]	[illegible]
National Westminster Bank	UK	300
[illegible]	[illegible]	[illegible]
France Telecom	France	290.1
[illegible]	[illegible]	[illegible]
Banco Bilbao Vizcaya (Gibraltar)	Spain	250
[illegible]	[illegible]	[illegible]
Royal Bank of Scotland	UK	200

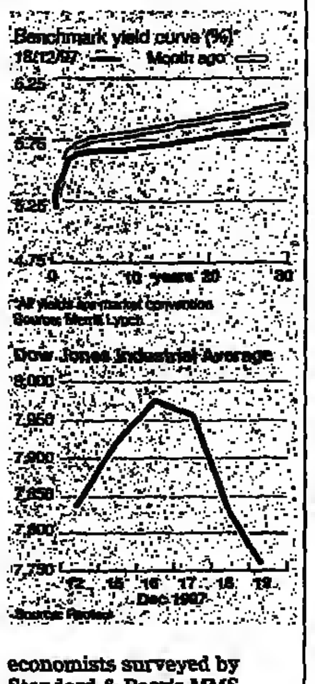
New ADR programs by region (based on number of new companies issuing ADRs year to date)

Region	number of issues
[illegible]	[illegible]
Asia-Pacific	51
Europe	[illegible]
Latin America	43
[illegible]	[illegible]
Total	214

(NYSE)
Source: Citibank

MARKETS: This Week

NEW YORK By Richard Waters



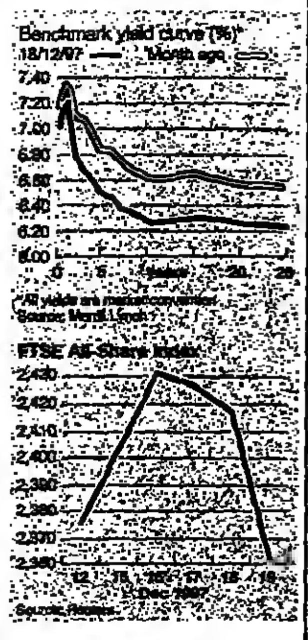
Friday's 269-point plunge in the Dow Jones Industrial Average – and the subsequent bounce – brought the most active day on Wall Street since the record trading volumes of the stock market spasm of late October. With the holidays in sight, shell-shocked investors seem likely to get at least a brief respite in the coming days. The US stock markets close for trading at 1pm on Wednesday, reopening on Friday until the same time.

In spite of the volatility, the Dow closed only 89 points below its level of the week before, at 7,756.29 – a gain of nearly 30 per cent on the year – while the yield on 30-year Treasuries was virtually unchanged at 5.92 per cent. While concerns about corporate earnings will continue to hang over the equity market ahead of next month's results season, the bond market's strength should provide a solid platform for share prices.

There will be little new information this week. Tomorrow's publication of durable goods orders for November is likely to show the first rise in three months, mainly because of a rebound in machinery orders. Overall, though, orders probably rose about 0.5 per cent, according to economists surveyed by Standard & Poor's MMS, with the turmoil in Asia likely to bring another slowdown.

Data to be released on Wednesday are expected to show a rise in personal incomes in November of 0.7 per cent, up from 0.5 per cent and its highest level for some months, while personal consumption during the month is expected to have risen 0.4 per cent, a decline from the 0.5 per cent increase of October.

LONDON By Philip Coggan



UK investors will be grateful for a quiet run-up to Christmas after the turmoil on Friday which saw the FTSE 100 index fall by nearly 150 points.

The continuing crisis in Asia, and a bout of nerves about the prospects for US corporate earnings, means that the positive factors which had been buoying the UK equity market in early December – the prospect of bids and share buy-backs and the possibility that interest rates might have peaked – were relegated to the sidelines.

While the Footsie had looked as if it might take a run at the all-time high before the end of December, that would now require a rise of more than 350 points in only four full trading sessions.

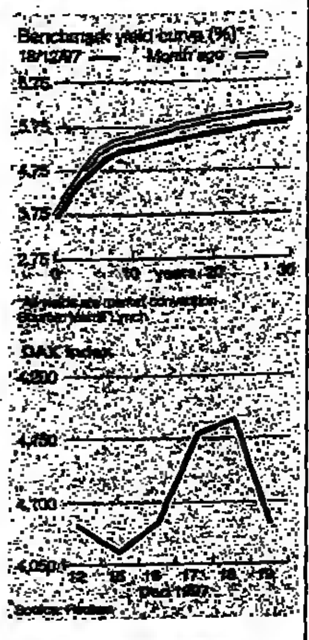
Gilts have been unconcerned by the problems of equities, with the yield on the benchmark 10-year issue down to 6.35 per cent on Friday, as the safe haven appeal of bonds worked its magic.

Analysts have been preparing for the Christmas holidays with their FTSE 100 index predictions for the end of 1998.

Most forecasts are in the 5,000-6,000 range, but Ian Scott, UK strategist at Lehman Brothers, is opting for 6,100, arguing that equities are 15 per cent undervalued relative to bonds and that sterling is likely to decline over the next 12 months, easing the pressure on exporters.

The main economic data of the week will be trade-related, with today's third-quarter balance of payments figures followed tomorrow by non-EU trade numbers for November. The main topic of interest will be how the strength of sterling is affecting exports.

FRANKFURT



The Christmas holiday will come as a welcome relief to investors and traders who found the German stock market's recovery so rudely interrupted last week.

Taking their cue from continued financial turbulence and uncertainty in Asia, German shares fell sharply on Friday with the Dax blue chip index down by about 107 points to 4,055.35.

But forecasters generally remain sanguine about the coming year. Vereins- und Westbank in Hamburg, part of the Bayerische Vereinsbank group, reckons a Dax level of 4,700 points by mid-1998 is realistic. Westdeutsche Landesbank expects a more modest rise to 4,400 by the spring.

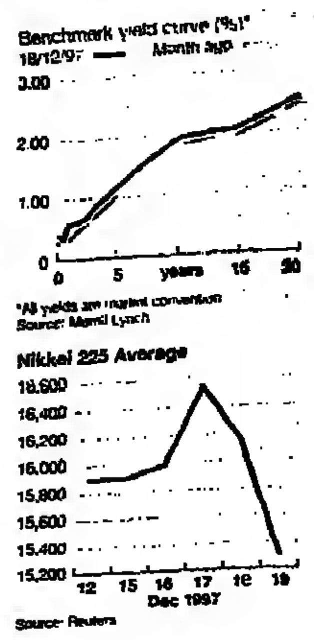
The liquidity situation will be favourable in the next few months now that the big capital-raising efforts of some banks and companies are over.

WestLB is also heartened by the restructuring in German industry – to cut costs, concentrate on core activities and prepare for the euro – and low interest rates. The Bundesbank reaffirmed last week that its interest rate policy would follow a "steady hand" approach. It also set a slightly lower money supply target range for 1998 to emphasise its concern that inflation should be kept down ahead of European monetary union.

The slight rise in value-added tax will increase consumer price growth slightly next year, but not by enough to worry the Bundesbank too much.

This week, preliminary inflation figures for west Germany are expected to show an annual growth rate of less than 2 per cent. Producer prices and import prices for November are also expected.

TOKYO By Bethan Hutton



After last week's rollercoaster ride – with stocks first boosted by an unexpected income tax cut, then depressed by another corporate failure – traders may be looking for a quieter week.

Tuesday is a public holiday, but Thursday – Christmas Day – is business as usual, and the government has a history of releasing important economic news on that day. This year, it has been set as the date for the government to finalise budget plans for 1998, although most details were released this weekend.

There are other important data releases, notably on Friday with the national consumer price index and unemployment data for November. The latter could show unemployment pushing above October's record 3.5 per cent.

The Nikkei managed to stay above the 15,000 level last week, but any further bad news could push it below that barrier.

The bond market also experienced wide fluctuations last week, although the 10-year bond yield ended on Friday at 1.64 per cent, well above record lows. Any more gloom on the economic and financial front this week could see it break through 1.6 per cent.

Both stock and bond markets will be carefully watching the currency markets this week. Intervention by the Bank of Japan last week pushed the yen back up from about Y131 to the dollar to about Y127, with powerful knock-on effects on the stock and bond markets, but downward pressure soon started to reassert itself.

The markets will be watching for signs of continued intervention by the BoJ.

OTHER MARKETS Compiled by Jeffrey Brown

HONG KONG

The stock market looks set for another lacklustre week with overseas markets setting the tone and thin activity exaggerating share price movements, *writes Louise Lucas in Hong Kong*. A pre-Christmas rally remains a possibility, but last week the benchmark Hang Seng index closed at 10,405.8, down a net 2 per cent.

Brokers expect to see signs of window dressing, as books are closed for the year-end. China-backed stocks, notably red chips, are beginning to return to favour and are likely to out-perform the main market, brokers say. However, sentiment remains fragile and susceptible to shocks from elsewhere in the region, particularly South Korea.

Immediate fears of another speculative attack on the Hong Kong dollar – which would drive up interbank rates and hurt the stock market, which is highly rate-sensitive – are receding, at least for the time being. Growth prospects have been revised down in the wake of higher rates earlier in the year, but Hong Kong is likely to retain some of its "safe haven" status which may encourage investors when activity picks up after the holiday period.

PARIS

French equities head into the holiday period of fractured trading in reasonable shape, although performance this year has been the slowest among Europe's main-stream centres.

The CAC 40 index, which virtually held its ground last week, is sitting on overall gains this year of 26 per cent with only a handful of trading days left. At the other end of the charts, the Swiss market has risen 50 per cent.

Most brokers expect further upward progress in 1998. Merger-mania plus earnings growth in the region of 25 per cent (against 20 per cent last year) are likely to be the main driving forces.

The big caveat is the dollar. Deterioration here could unseat a large part of analysts' growth assumptions.

Sales figures tomorrow from Carrefour are just about the only piece of corporate news due this week. The retailer's share price performance this year – it is 47 per cent below its July peaks – has been one reason for the bottom of the range returns from France.

MILAN

Italian equities enjoyed their traditional Christmas rally for most of last week, with the Mibtel index rising nearly 4 per cent until Friday's wobble. The upward trend is expected to re-assert itself this week as investors continue to focus on interest rate sensitive stocks such as banks and utilities.

November inflation figures are due from 11 Italian cities on Monday. Analysts expect the figures to show a slight increase in the annual rate to about 1.8 per cent. However, this is not expected to deter the Bank of Italy from making a long-awaited interest rate cut in the new year, when the 1998 budget should have been passed by parliament.

COMMODITIES

Tough times ahead for nickel producers

Nickel producers face tougher times next year and will have to step up cost-cutting programmes, according to a study published today.

AME Mineral Economics, the Australian consultancy, predicts that next year's average production cost for nickel – used primarily in the production of stainless steel – will be \$2.15 a pound, with highest-cost output well above \$3 a pound.

"In the light of such forecasts, and with the current nickel price about \$2.80 a pound, it is not surprising that the major sulphide producers of nickel are implementing cost-reduction programmes," it says.

The study says the 1.4 per cent increase in production costs is due to a lower cobalt price. Cobalt – used in the super-alloys from which turbines are made and in rechargeable batteries for portable electronic equipment – is mainly a by-product of nickel mining.

The price of cobalt is forecast to fall from its present level of more than \$20 a pound for high-grade cathode to about \$10 by 2003.

"By the end of the forecast period, over two-and-a-half times as much cobalt will be produced as a by-product of the western world nickel industry than in 1995," says the study. This would reduce the average cobalt credit per pound of nickel produced from 24 cents in 1995 to 13 cents in 2002.

However, the study points out that in the longer term, the trend of nickel production costs is downwards. It says that in 2002, the average cost – net of credits – will have fallen to \$1.90 a pound in real terms.

"In real terms, nickel costs have fallen since 1992," says AME. "This trend will continue despite depressed prices for by-product metals, accelerated by the start-up over the next few years of a new generation of low-cost mining and processing operations... Chief among the former will be Inco's Voisey Bay/Argentia project."

Nickel 1998: Industry Operating Costs to 2002. AME Mineral Economics, AME House, Level 2, 352 Kent Street, Sydney NSW 2000, Australia.

CURRENCIES

Yen may get new rate for Christmas

One might think that Christmas Day in the currency market would be a quiet day. A few unlucky individuals in New York and London will be on desk duty just in case the end of the world comes and sends the dollar lower.

Even in non-Christian countries the day tends to be uneventful, because all the large foreign investors are on holiday.

This year, however, there might just be some action. Traders are afraid that the Bank of Japan will make use of the calm to sell dollars.

Last week the bank made what was thought to have been its first intervention in support of the yen since August 1992, selling more than \$1bn in US dollars.

The yen immediately jumped more than 4 per cent, but when no other central banks joined the intervention the currency slipped again. It ended last week at about Y129 against the dollar, near the Y130 mark which appears to worry the Bank of Japan.

Jim O'Neill, chief currency economist at Goldman Sachs, has argued that another bout of intervention is needed to show that the bank is serious.

Christmas Day could be the ideal time to act. With so few traders around, there will be precious few buyers of dollars. An intervention could therefore push the yen several per cent higher, and when full trading resumes in the first week of January we could have a new exchange rate.

On balance, the market believes that the Bank of Japan will spend the festive season inactive. But there will be more than a few traders checking currency rates on their pagers in the later stages of Christmas lunch.

In thin holiday markets, the bank's interventions may be enough to stop the US dollar from breaching the Y130 level, but the central bank's real challenge will come when liquidity returns to the market in the new year.

Yen sellers may find a comfortable safe haven in the European cross rates, with authorities there less concerned about yen weakness.

Sterling has been particularly strong against the yen in recent weeks.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
VNU (N'lands)	ITT World Directories (US)	Publishing	\$2.1bn	Non-cyclical buy
Zeneca (UK)	Unit of Ishihara Sangyo Kaisha (Japan)	Chemicals	\$500m	Agriculture move
Vishay Intertechnology (US)	Temic (Germany)	Electronic components	\$500m	Daimler-Benz disposal
Vodafone (UK)	Libertel (N'lands)	Mobile telecoms	\$432m	Control offer
Security Capital (US)	Frigoscandia (Sweden)	Distribution	\$385m	Property focus
Elan Corp (Ireland)	Sano (US)	Pharmaceuticals	\$375m	Drug delivery deal
Bayerische Vereinsbank (Germany)	FGH Bank (N'lands)	Banking	\$348m	Sale by Aegon
ADM (US)	Unit of Sadia (Brazil)	Food	\$165m	Soya consolidation
Nutricia Intl (N'lands)	Sari Husada (Indonesia)	Food	\$65m	Friendly plans
Freepages (UK)/VNU (Netherlands)	JV	Information	n/a	Relationship deepens

ATHENS STOCK EXCHANGE December 15th - December 19th 1997 GREECE

				GDP (USD bn) 97e	117.39
ASE INDEX	1491.86	P/E (after tax) 97e/98	18.4/19.1	Per Capita Income (USD)	11,288
%Chg (31/12/96)	59.80	EPS GROWTH (%) 97e	18.2	Inflation Rate (% Y O Y, November '97)	5.10
Yearly High	1606.85	P/E 97e / EPS GROWTH (%) 97e	0.90	December 12 M T-Bill rate (%)	11.30
Yearly Low	932.38	P/CE 97e/96	12.9/15.1	1-Month Athibor (%)	15.45
WEEKLY VOL (USD m)	534.40	P/BV 97e/96	3.6/4.0	GRD/US$ (December 19, 1997)	276.75
%Chg (Prev. Wk)	14.13	Div. Yield (%) 97e/96	3.6/2.9	A.S.E. Market Capitalisation - 19/12/97 (USD bn)	35.36
1 Y Wk Avg Vol. (USD m)	399.59			IPOs & Rights Issues (in USD m) Jan 1-December 19/97	2,592.85

CONTRACTS & TENDERS

Department of Public Enterprise

TENDER NOTICE

Dublin: Railway Safety Study

Written submissions are invited from firms, or groups of firms interested in carrying out a strategic review of all aspects of the safety of Iarnrod Eireann's railway system. The study will address the following matters in no particular order of priority:

- The adequacy of Iarnrod Eireann's safety policy, system, rules and procedures (including the methods for the assessment of risk and the prioritisation of safety related expenditure);
- The adequacy of Iarnrod Eireann's on-the-ground implementation of safety rules and procedures.
- The adequacy from a safety viewpoint of railway infrastructure and facilities (including track, signalling systems, rolling stock and level crossings).

The service provider will be required to review the implementation of the recommendations of the study approximately 18 months after submission of the final report.

This competition is being run in accordance with the EU Public Procurement Directive 92/50/EEC. The notice for publication in the Official Journal was dispatched on 12 December 1997.

Written submissions must arrive in the Department no later than 3.00 pm on Tuesday, 3 February 1997.

An information meeting will be held in the Department of Public Enterprise, Conference Room 1.02, 44 Kildare Street, Dublin, 2. on Tuesday, 6 January 1998 at 11.00 am.

Further information may be obtained from:

Mr Robin McKay,
Public Transport Operations Division,
Department of Public Enterprise,
44 Kildare Street, Dublin, 2. Ireland
Telephone: +353 1 670 7444 Facsimile: +353 1 604 1637

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 19, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7925.31	4759.00	2695.44	3693.03
Albania	(Lek)	243.605	146.000	82.5416	113.205
Algeria	(Dinar)	96.7096	57.9604	32.7682	44.9410
Andorra	(French Fr)	9.8887	5.9265	3.3506	4.5953
	(Sp Peseta)	250.366	150.050	84.8315	116.345
Angola	(Readj Kwanza)	429030.8	257128.0	145368.4	199370.4
Antigua	(E Carib $)	4.5051	2.7000	1.5265	2.0935
Argentina	(Peso)	1.6685	0.9996	0.5652	0.7752
Armenia	(Dram)	834.058o	499.870	282.604	387.596
Aruba	(Florin)	2.9867	1.7900	1.0120	1.3879
Australia	(Aus $)	2.5521	1.5295	0.8647	1.1860
Austria	(Schilling)	20.7639	12.4443	7.0354	9.6489
Azerbaijan	(Manat)	6590.77o	3950.00	2232.16	3062.73
Azores	(Port Escudo)	303.593	181.950	102.866	141.078
Bahamas	(Bahama $)	1.6686	1	0.5654	0.7754
Bahrain	(Dinar)	0.6291	0.3770	0.2131	0.2923
Balearic Is	(Sp Peseta)	250.366	150.050	84.8315	116.345
Bangladesh	(Taka)	75.8357	45.4500	25.6954	35.2408
Barbados	(Barb $)	3.3560	2.0113	1.1371	1.5595
Belarus	(Rouble)	67442.8o	40420.0	22851.7	31340.6
Belgium	(Belg Fr)	60.8105	36.5050	20.6383	28.3050
Belize	(B $)	3.3371	2.0000	1.1307	1.5508
Benin	(CFA Fr)	988.870	592.650	335.058	459.526
Bermuda	(Bermudian $)	1.6686	1	0.5654	0.7754
Bhutan	(Ngultrum)	65.3905	39.1900	22.1563	30.3869
Bolivia	(Boliviano)	8.9268	5.3500	3.0246	4.1485
Botswana	(Pula)	6.2973	3.7736	2.1334	2.9259
Brazil	(Real)	1.8592	1.1143	0.6299	0.8640
Brunei	(Brunei $)	2.7882	1.6710	0.9447	1.2957
Bulgaria	(Lev)	2939.96	1762.00	996.156	1366.21
Burkina Faso	(CFA Fr)	988.870	592.650	335.058	459.526
Burma	(Kyat)	10.4313	6.2517	3.5344	4.8474
Burundi	(Burundi Fr)	675.329	404.920	228.924	313.965
Cambodia	(Riel)	5743.15	3442.00	1945.96	2668.84
Cameroon	(CFA Fr)	988.870	592.650	335.058	459.526
Canada	(Canadian $)	2.3887	1.4316	0.8093	1.1100
Canary Is	(Sp Peseta)	250.366	150.050	84.8315	116.345
Cp. Verde	(CV Escudo)	159.030	95.3100	53.8840	73.9009
Cayman Is	(CI $)	1.3619	0.8162	0.4682	0.6422
Cent. Afr. Rep.	(CFA Fr)	988.870	592.650	335.058	459.526
Chad	(CFA Fr)	988.870	592.650	335.058	459.526
Chile	(Chilean Peso)	732.911	439.250	248.332	340.585
China	(Yuan)	13.8151	8.2797	4.6810	6.4199
Colombia	(Col Peso)	2148.95	1287.90	728.121	998.604
Comoros	(Fr)	741.337	444.300	251.187	344.489
Congo	(CFA Fr)	988.870	592.650	335.058	459.526
Congo (DemRep)	(Zaire)(2)	229425.5	137500.0	77736.3	106613.9
Costa Rica	(Colon)	405.832	243.225	137.508	188.590
Côte d'Ivoire	(CFA Fr)	988.870	592.650	335.058	459.526
Croatia	(Kuna)	10.3862	6.2247	3.5191	4.8264
Cuba	(Cuban Peso)(1)	38.3757	23.0000	13.0032	17.8336
Cyprus	(Cyprus £)	0.8663	0.5192	0.2935	0.4026
Czech Rep.	(Koruna)	57.2230	34.2950	19.3889	26.5915
Denmark	(Danish Krone)	11.2482	6.7401	3.8105	5.2261
Djibouti Rep	(Djib Fr)	296.535	177.720	100.475	137.800
Dominica	(E Carib $)	4.5051	2.7000	1.5265	2.0935
Dominican Rep	(D Peso)	24.3606	14.6000	8.2542	11.3205
Ecuador	(Sucre)	7439.23o	4458.50	2520.64	3457.01
	(Sucre)	7425.04a	4450.00	2515.83	3450.41
Egypt	(Egyptian £)	5.6773	3.4025	1.9236	2.6382
El Salvador	(Colon)	14.6082	8.7550	4.9497	6.7884
Equat'l Guinea	(CFA Fr)	988.870	592.650	335.058	459.526
Estonia	(Kroon)	23.6087	14.1492	7.9993	10.9709
Ethiopia	(Ethiopian Birr)	11.1760	6.6980	3.7866	5.1935
Falkland Is	(Falk £)	1	0.5993	0.3388	0.4647
Faroe Is	(Danish Krone)	11.2482	6.7401	3.8105	5.2261
Fiji Is	(Fiji $)	2.5572	1.5326	0.8665	1.1883
Finland	(Markka)	8.9205	5.3463	3.0225	4.1453
France	(Fr)	9.8887	5.9265	3.3506	4.5953
Fr. Cty/Africa	(CFA Fr)	988.870	592.650	335.058	459.526
Fr. Guiana	(Local Fr)	9.8887	5.9265	3.3506	4.5953
Fr. Pacific Is	(CFP Fr)	179.718	107.708	60.8935	83.5140
Gabon	(CFA Fr)	988.870	592.650	335.058	459.526
Gambia	(Dalasi)	16.8086	10.0738	5.6953	7.8109
Germany	(D-Mark)	2.9513	1.7688	1	1.3716
Ghana	(Cedi)	3743.40	2243.50	1268.37	1739.55

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.5993	0.3388	0.4647
Greece	(Drachma)	464.458	278.360	157.372	215.833
Greenland	(Danish Krone)	11.2482	6.7401	3.8105	5.2261
Grenada	(E Carib $)	4.5051	2.7000	1.5265	2.0935
Guadeloupe	(French Fr)	9.8887	5.9265	3.3506	4.5953
Guam	(US $)	1.6686	1	0.5654	0.7754
Guatemala	(Quetzal)	10.3767	6.2190	3.5159	4.8221
Guinea	(Fr)	1892.97	1134.50	641.395	879.662
Guinea-Bissau	(CFA Fr)(3)	988.870	592.650	335.058	459.526
Guyana	(Guyanese $)	238.289	142.800	80.7327	110.723
Haiti	(Gourde)	28.0038	16.7830	9.4884	13.0131
Honduras	(Lempira)	22.0249	13.2000	7.4627	10.2349
Hong Kong	(HK $)	12.9313	7.7500	4.3815	6.0091
Hungary	(Forint)	335.254	200.925	113.594	155.792
Iceland	(Icelandic Krona)	119.343	71.5250	40.4370	55.4586
India	(Indian Rupee)	65.3905	39.1900	22.1563	30.3869
Indonesia	(Rupiah)	8509.65	5100.00	2883.31	3954.41
Iran	(Rial)	5005.65u	3000.00	1696.07	2326.12
Iraq	(Iraqi Dinar)	0.5186o	0.3108	0.1758	0.2411
Iraq	(Iraqi Dinar)	2002.28m	1200.00	678.426	930.449
Irish Rep	(Punt)	1.1436	0.6854	0.3875	0.5314
Israel	(Shekel)	5.8924	3.5315	1.9965	2.7382
Italy	(Lira)	2897.19	1736.35	981.654	1346.32
Jamaica	(Jamaican $)	58.1490	34.8500	19.7028	27.0218
Japan	(Yen)	215.183	128.970	72.9138	100
Jordan	(Jordanian Dinar)	1.1864	0.7110	0.4020	0.5513
Kazakhstan	(Tenge)	126.551	75.8450	42.8794	58.8083
Kenya	(Kenya Shilling)	104.451	62.6000	35.3912	48.5384
Kiribati	(Australian $)	2.5521	1.5295	0.8647	1.1860
Korea North	(Won)	3.6708	2.2000	1.2438	1.7058
Korea South	(Won)	2627.97	1575.00	890.434	1221.21
Kuwait	(Kuwaiti Dinar)	0.5082	0.3046	0.1722	0.2361
Laos	(New Kip)	1896.81	1136.00	643.374	882.376
Latvia	(Lats)	0.9740	0.5838	0.3300	0.4526
Lebanon	(Lebanese £)	2548.71	1527.50	863.580	1184.38
Lesotho	(Maluti)	8.1117	4.8615	2.7485	3.7695
Liberia	(Liberian $)	1.6686	1	0.5654	0.7754
Libya	(Libyan Dinar)	0.6399	0.3835	0.2168	0.2974
Liechtenstein	(Swiss Fr)	2.3845	1.4291	0.8079	1.1081
Lithuania	(Litas)	6.6717	3.9985	2.2606	3.1003
Luxembourg	(Lux Fr)	60.9105	36.5050	20.6383	28.3050
Macao	(Pataca)	13.3571	8.0052	4.5258	6.2070
Macedonia	(Denar)	91.6164	54.9078	31.0424	42.5741
Madagascar	(MG Fr)	8342.75	5000.00	2826.78	3876.87
Madeira	(Port Escudo)	303.593	181.950	102.866	141.078
Malawi	(Kwacha)	34.5305	20.6950	11.7000	16.0464
Malaysia	(Ringgit)	6.3822	3.8250	2.1625	2.9658
Maldive Is	(Rufiya)	19.6365	11.7700	6.6542	9.1262
Mali Rep	(CFA Fr)	988.870	592.650	335.058	459.526
Malta	(Maltese Lira)	0.6571	0.3902	0.2206	0.3026
Martinique	(Local Fr)	9.8887	5.9265	3.3506	4.5953
Mauritania	(Ouguiya)	278.090	166.665	94.2249	129.228
Mauritius	(Maur Rupee)	36.9167	22.1250	12.5085	17.1552
Mexico	(Mexican Peso)	13.5804	8.1390	4.6014	6.3108
Moldova	(Leu)	7.6066	4.5900	2.5459	3.6288
Monaco	(French Fr)	9.8887	5.9265	3.3506	4.5953
Mongolia	(Tugrik)	1309.41	784.760	443.668	608.483
Montserrat	(E Carib $)	4.5051	2.7000	1.5265	2.0935
Morocco	(Dirham)	16.0590	9.6245	5.4413	7.4626
Mozambique	(Metical)	19180.0	11495.0	6498.76	8912.93
Namibia	(S A Rand)	8.1117	4.8615	2.7485	3.7695
Nauru Is	(Australian $)	2.5521	1.5295	0.8647	1.1860
Nepal	(Nepalese Rupee)	65.0236	58.9500	32.1670	44.1578
Netherlands	(Guilder)	3.3263	1.9935	1.1270	1.5457
N'nd Antilles	(A/Guilder)	2.9867	1.7900	1.0120	1.3879
New Zealand	(NZ $)	2.8618	1.7151	0.9697	1.3299
Nicaragua	(Gold Cordoba)	16.5730	9.9326	5.6155	7.7015
Niger Rep	(CFA Fr)	988.870	592.650	335.058	459.526
Nigeria	(Naira)	36.5179o	21.8860	12.3734	16.9699
	(Naira)	126.550m	75.8500	42.8822	58.8121
Norway	(Nor. Krone)	12.0976	7.2504	4.0990	5.6217
Oman	(Rial Omani)	0.6424	0.3850	0.2176	0.2985

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(4)	73.4262	44.0060	24.8790	34.1211
Panama	(Balboa)	1.6686	1	0.5654	0.7754
Papua New Guinea	(Kina)	2.9325	1.7575	0.9936	1.3627
Paraguay	(Guarani)	3837.86	2300.00	1300.32	1783.36
Peru	(New Sol)	4.5275	2.7135	1.5341	2.1040
Philippines	(Peso)	65.5241	39.2700	22.2015	30.4489
Pitcairn Is	(£ Sterling)	1	0.5993	0.3388	0.4647
	(NZ $)	2.8618	1.7151	0.9697	1.3299
Poland	(Zloty)	5.8429	3.5018	1.9797	2.7152
Portugal	(Escudo)	303.593	181.950	102.866	141.078
Puerto Rico	(US $)	1.6686	1	0.5654	0.7754
Qatar	(Riyal)	6.0755	3.6412	2.0585	2.8233
Reunion Is. de la	(F Fr)	9.8887	5.9265	3.3506	4.5953
Romania	(Leu)	13381.8	8020.00	4534.15	6218.50
Russia	(Rouble)	9888.99m	5925.50	3350.01	4594.48
Rwanda	(Fr)	578.137	346.491	195.890	268.660
St Christopher	(E Carib $)	4.5051	2.7000	1.5265	2.0935
St Helena	(£)	1	0.5993	0.3388	0.4647
St Lucia	(E Carib $)	4.5051	2.7000	1.5265	2.0935
St Pierre & Miquelon	(F Fr)	9.8887	5.9265	3.3506	4.5953
St Vincent	(E Carib $)	4.5051	2.7000	1.5265	2.0935
San Marino	(Italian Lira)	2897.19	1736.35	981.654	1346.32
Sao Tome	(Dobra)	3967.85	2380.00	1351.20	1853.14
Saudi Arabia	(Riyal)	6.2581	3.7508	2.1204	2.9081
Senegal	(CFA Fr)	988.870	592.650	335.058	459.526
Seychelles	(Rupee)	8.5263	5.1100	2.8890	3.9622
Sierra Leone	(Leone)	1376.55	825.000	466.418	639.684
Singapore	($)	2.7882	1.6710	0.9447	1.2957
Slovakia	(Koruna)	57.0160	34.1710	19.3187	26.4953
Slovenia	(Tolar)	278.001	166.612	94.1949	129.187
Solomon Is	($)	7.7648	4.6537	2.6310	3.6084
Somali Rep	(Shilling)	4371.80	2620.00	1481.23	2031.48
South Africa	(Rand)	8.1117	4.8615	2.7485	3.7695
Spain	(Peseta)	250.366	150.050	84.8315	116.345
Spanish Ports in N Africa	(Sp Peseta)	250.366	150.050	84.8315	116.345
Sri Lanka	(Rupee)	102.669	61.5300	34.7976	47.7243
Sudan Rep	(Dinar)	238.436	142.900	80.7892	110.801
Surinam	(Guilder)	679.086	407.000	226.707	310.925
Swaziland	(Lilangeni)	8.1117	4.8615	2.7485	3.7695
Sweden	(Krona)	12.9288	7.7473	4.3800	6.0071
Switzerland	(Fr)	2.3846	1.4291	0.8079	1.1081
Syria	(£)	66.7420	40.0000	22.6142	31.0150
Taiwan	($)	53.9443	32.3300	18.2779	25.0678
Tanzania	(Shilling)	1033.67	619.500	350.238	480.344
Thailand	(Baht)	76.9202	46.1000	26.0629	35.7447
Togo Rep	(CFA Fr)	988.870	592.650	335.058	459.526
Tonga Is	(Pa'anga)	2.5521	1.5295	0.8647	1.1860
Trinidad/Tobago	($)	10.3450	6.2000	3.5052	4.8073
Tunisia	(Dinar)	1.8883	1.1317	0.6398	0.8775
Turkey	(Lira)	337669.5	202385.0	114419.4	156924.1
Turks & Caicos	(US $)	1.6686	1	0.5654	0.7754
Tuvalu	(Australian $)	2.5521	1.5295	0.8647	1.1860
Uganda	(New Shilling)	1882.12	1128.00	637.721	874.622
Ukraine	(Hryvna)	3.2287	1.9350	1.0940	1.5004
U A E	(Dirham)	6.1284	3.6729	2.0765	2.8479
United Kingdom	(£)	1	0.5993	0.3388	0.4647
United States	(US $)	1.6686	1	0.5654	0.7754
Uruguay	(Peso Uruguayo)	16.8439	9.9750	5.6394	7.7344
Vanuatu	(Vatu)	205.267	123.015	69.5472	95.3826
Vatican	(Lira)	2897.19	1736.35	981.654	1346.32
Venezuela	(Bolivar)	839.214v	502.980	284.361	389.992
Vietnam	(Dong)	20503.1	12288.0	6947.09	9527.80
Virgin Is-British	(US $)	1.6686	1	0.5654	0.7754
Virgin Is-US	(US $)	1.6686	1	0.5654	0.7754
Western Samoa	(Tala)	4.5952	2.7540	1.5570	2.1354
Yemen (Rep of)	(Rial)	206.900r	124.000	70.1040	96.1464
Yugoslavia	(New Dinar)	9.7792	5.8609	3.3135	4.5444
Zambia	(Kwacha)	2373.52	1422.50	804.218	1102.97
Zimbabwe	($)	29.2415	17.5250	9.9078	13.5884
ECU	(ECU)	1.4928	0.8947	0.5058	0.6937
SDR	(SDR)	1.22100	0.737409	0.415324	0.578814

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (f) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Franc (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 8% on 18/10/97: FT enquiries to Business Research Centre 0171 256 8130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times. FT Cityline apologises for the recent suspension in service. We are now pleased to inform users that the service is once again fully operational.
Friday, December 19, 1997

MARKETS: This Week

EMERGING MARKETS By John Barham

Istanbul shrugs off snub

Anybody expecting financial meltdown in Turkey had to hold their breath yet again last week. Instead of crashing, as some foreign observers had expected in the wake of the European Union's snub of Turkey at the Luxembourg summit, the Istanbul market's main index saw a 10.6 per cent gain in the week, closing on Friday at 3,145 points.

Although the shake-out in emerging markets hit the Istanbul market hard in September, the IMKB-100 index of leading companies has still risen 75 per cent in dollar terms since January. Falling interest rates, strong economic growth and sparkling corporate earnings have more than outweighed the negative effects of international volatility, near triple-digit inflation, a sickly currency and a turbulent domestic political scene.

Volkan Sari, market strategist at Global Securities, one of Istanbul's biggest brokerages, expects prices to continue rising. He says: "January is historically good for rallies so everyone is trying to buy in." However, he warns, the rally will "not be sustainable unless it is supported by structural reforms. There is less interest from international [investors]. Turkey does not look so cheap now compared to other [emerging] markets".

Istanbul is driven by domestic investors resolutely focused on local issues who care little for global capital market trends or the intricacies of international politics. Investors this week showed little concern over the anti-EU rhetoric and threats of boycotts of EU goods that followed the Luxembourg summit, which refused to grant Turkey equal status with 11 other applicant countries.

The immediate boost to the market came from a government decision to water down proposed tax reforms, part of its package of structural reforms to cut inflation. Prices dropped sharply the previous week when the government said it would tax capital gains starting next year. Then, over the weekend, Zekeriya Temizel, finance minister, said the tax would only be levied in 1999. On Monday morning, Turkish investors showed their appreciation with a burst of activity that pushed the index up 4.5 per cent. Prices rose almost every day last week and daily turnover was firm all week, ranging between $257m-$368m.

The prospect of an agreement with the International Monetary Fund, which the government hopes would unlock $15bn in fresh foreign loans next year, helped sustain the enthusiasm. Investors bought utilities and state-owned companies, several of which are listed on the Istanbul market but with very small free floats, in the hope that privatisation would soon gain momentum.

The government's privatisation programme stalled a decade ago, but officials are confident they can sell a 34 per cent stake in Türk Telekom, the telephone company, early next year. Petrol Ofisi, a chain of petrol stations, would come next, followed by Tupras, an oil refinery that controls more than 80 per cent of the domestic market.

However, each of Turkey's seven governments this decade has promised to sell these and other state companies, but never managed to overcome political opposition or legal challenges.

Analysts say the rally is also being powered by some large retail investors, who had bought short positions in the expectation that prices would fall. They are now working together to push prices up far enough for them to leave the market with a profit.

Observers say uncertainties over government policy are likely to grow next year, and doubt the January rally will last long. They mention uncertainty over how the treasury will manage a $15bn redemption of domestic debt in the first half, or how it will roll over maturing foreign debt.

The outlook for earnings next year, which analysts had expected to perform almost as well as this year, is now looking less certain. Growth, which rose to 6.5 per cent in the first half, may slow next year – especially if the government attempts to cut inflation, which would hit corporate profits.

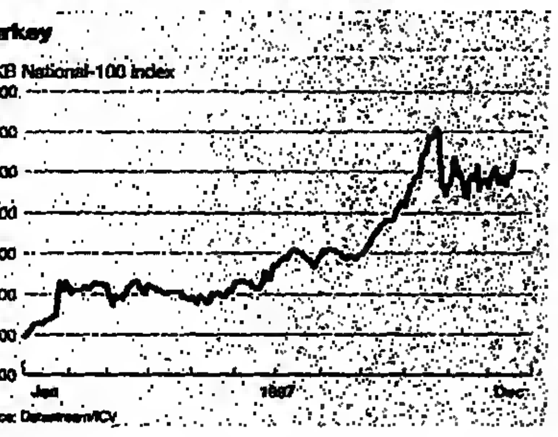
Added to this are the usual doubts over the effectiveness of government economic reforms. The future of Mesut Yilmaz's fractious minority coalition is also looking cloudy. Mr Yilmaz said in October he would stay in office until 2000, even though his three-party alliance is about 50 seats short of a majority. Now, analysts wonder if he will survive to the end of 1998.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms Dec 18th 1997	% Change over week	% Change on Dec '96
Latin America	(270)	647.77	+2.2	20.4
Argentina	(32)	1,055.73	+0.6	+11.1
Brazil	(75)	448.78	+4.3	+13.2
Chile	(50)	630.00	–2.7	+1.6
Colombia[1]	(15)	828.95	+2.1	+30.9
Mexico	(62)	759.30	+3.5	+43.4
Peru[2]	(24)	216.24	+0.3	+9.9
Venezuela[3]	(12)	902.49	+2.0	+24.0
Asia	(758)	111.33	–1.8	–66.0
China[4]	(43)	56.52	–4.4	–23.3
South Korea[5]	(184)	31.10	+30.1	–59.7
Philippines	(49)	112.65	–10.3	–61.6
Taiwan, China[6]	(98)	144.94	–1.1	–5.4
India[7]	(72)	79.00	+4.6	+0.3
Indonesia[8]	(61)	33.99	–16.0	–73.4
Malaysia	(157)	94.85	–4.2	–71.6
Pakistan[9]	(24)	241.90	–3.7	+23.6
Sri Lanka[10]	(5)	114.78	–0.6	+20.7
Thailand	(65)	53.30	+2.5	–75.9
Euro/Mid East	(397)	142.99	+4.3	+6.5
Czech Rep	(6)	55.07	+4.8	–21.5
Egypt	(28)	91.49	–0.3	-
Greece	(54)	333.52	+0.6	+37.6
Hungary[11]	(13)	293.96	+8.9	+49.4
Israel	(46)	117.49	–1.1	+17.5
Jordan	(6)	211.72	–0.2	+13.4
Morocco	(11)	130.99	–0.5	-
Poland[12]	(30)	566.69	–0.6	–22.8
Portugal	(23)	208.82	+3.1	+42.9
Russia	(30)	139.75	+9.2	-
Slovakia	(5)	94.80	–0.8	-
South Africa[13]	(77)	179.65	+4.5	–13.9
Turkey[14]	(58)	273.06	+6.9	+83.6
Zimbabwe[15]	(10)	248.78	–11.0	–47.5
Composite	(1,425)	240.67	+1.9	–18.4

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Turkey



Source: Datastream/ICV

INTERNATIONAL BONDS By Roula Khalaf

Opportunities in Algeria for cynical traders

Ramadan, the holy Moslem month which starts this year at the end of December, usually brings some of the bloodiest violence to Algeria. But while Algerians brace for the worse, some investors in traded Algerian commercial debt see an opportunity.

It may be market behaviour at its most cynical. But when violence, which erupted in 1992 after the cancellation of elections an Islamist party was set to win, reaches new highs, traders say some European and Japanese institutions holding Algerian paper tend to dump the bonds, depressing prices.

Others – for example, several US hedge funds, some of the biggest holders of the debt – are buyers. They take the view that Algeria's army-backed government is here to stay, whatever the level of the violence.

With foreign exchange reserves poised to reach $8bn by the end of the year – an extraordinary amount by Algerian standards – the government will comfortably make the first principal dollar payments due in March 1998, which will inevitably drive up the price.

"The hedge funds buy Algeria because it's a high yield paper. If there were no massacres, the spread would narrow and they would stop buying while more conservative mutual funds would pick it up," says one trader.

Investor interest in Algerian debt rose following the August 1996 London Club rescheduling of $3.2bn of Algeria's $4.5bn commercial debt. Since then, prices for the most liquid tranche A, used as a benchmark, have appreciated by 22 per cent. Oil prices have also helped drive the rise – oil and gas account for more than 95 per cent of Algeria's foreign exchange revenues.

But traders express frustration that, at the current price of about 83 cents on the dollar and a yield spread of 800 basis points over US Treasury bonds, Algeria's economic improvements have already been factored into the price of the debt and the political risk is preventing better performance.

Algeria's total debt stock continues to grow, reaching an estimated $33.5bn; it was $29.5bn in 1994. The country is plagued by mounting social problems and a 28 per cent unemployment rate. The economy is growing but the growth is driven mainly by increases in oil prices.

But with backing from the International Monatary Fund and the World Bank, which paved tha way for rescheduling of the debt, the government has stabilised public finances, reduced inflation and set the economy on the path of liberalisation. Algerian officials have therefore ruled out the need for another debt rescheduling next year.

On the other hand, the level of violence this year has been unprecedented.

"We've reached a point where the economic improvements in Algeria are understood, but the lack of understanding of the politics and the violence are preventing the spreads from tightening," explains a trader. "As long as the situation remains as difficult, and investment banks cannot take investors there and provide them with a fair amount of transparency, the debt cannot trade much tighter."

Although the political risk of an Islamist takeover has long been dismissed, confusion over the political situation was exacerbated this summer when the largest massacres of civilians took place near army barracks without prompting army intervention.

The government, which blames all attacks on Islamist extremists, said the army's apparent passivity was due to limited resources and past ambushes of security forces by extremists.

'There is no single explanation for the violence, so people are confused and they have to justify their exposure to Algeria to their shareholders'

But human rights groups raised questions about the army's behaviour and concerns of complicity by some factions within the security forces or state-armed militias.

The allegations, which had also been voiced by some of the opposition, are dismissed by the authorities.

"There is no consensus about Algeria and plenty of conspiracy theories, and there is no single explanation for the violence, so people are confused and they have to justify their exposure to Algeria to their shareholders."

Between August and September, the period of three massacres that left hundreds of people dead, market nervousness caused the yield spread on Algerian debt to widen from 500 basis points over Treasuries to 600 basis points. "Some investors at this time saw an opportunity to buy the debt," says the trader. "They took the view that the violence was manipulated and did not reflect a worsening of the situation, and they drove the spread back down to the 500 basis point level."

Analysts say the near-term outlook for the debt will be partly driven by the financial well-being of Japanese institutions, which hold a significant amount of the paper and may decide to unload it.

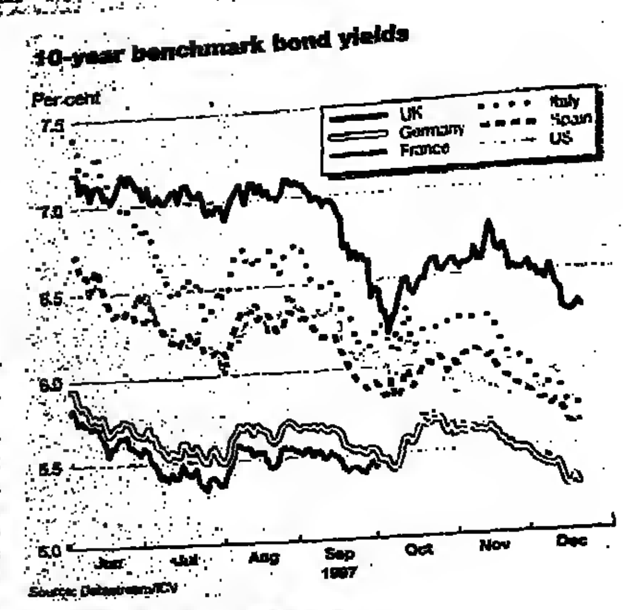
Over the medium to longer term, economic fundamentals will shape the performance of the debt as investors assess the likelihood that another rescheduling might be needed. This will largely depend on oil prices, key to estimating the debt service level. Hydrocarbon exports will continue to increase, with big developments under way with foreign companies.

Algeria's debt service ratio, which reached 82.2 per cent in 1993, stood at about 29.2 per cent last year, according to central bank figures. The government projects debt service ratio will peak in 1999 at 37.8 per cent. But this is based on assumptions for Algerian crude oil ranging from $17.50 a barrel in 1998 to $18.80 in 2001.

"Algeria's problem has always been the lack of diversification of the export base away from oil and gas," says Redwan Merouani, senior vice-president at Société Générale Emerging Markets.

"The real question is Algeria's ability to pay rather than its willingness to pay. Rescheduling is out of question unless oil and gas prices drop dramatically."

10-year benchmark bond yields



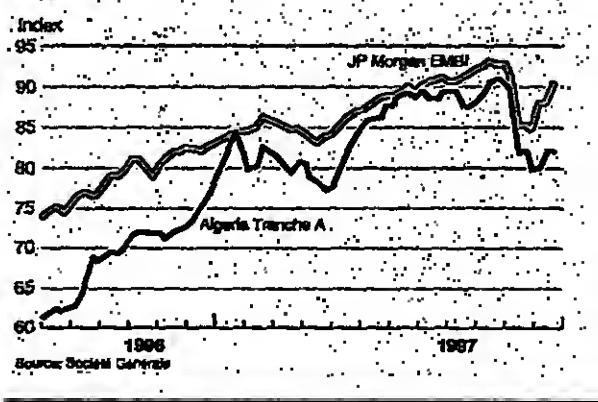
Source: Datastream/ICV

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.30[1]	6.25	7.25[2]
Overnight	n/a	n/a	3.32	3.38	6.19	n/a
Three month	5.22	0.38	3.64	3.50	5.86	7.45
One year	5.44	0.54	3.92	3.73	5.10	7.15
Five year	5.67	1.12	4.79	4.71	5.18	6.47
Ten year	5.69	1.94	5.24	5.24	5.63	6.25

(1) France-Intervention rate. (2) UK-Base rate. Source: Reuters.

Algeria



Source: Société Générale

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
MSMT, 97-D, Class A1(c1)★	122	Oct 1998	5.615	99.9997B	6.212	+25(EDSF)	Morgan Stanley DW
MSMT, 97-D, Class A2(c2)★	88	Apr 1999	5.415	99.99782	6.222	+29(EDSF)	Morgan Stanley DW
MSMT, 97-D, Class A3(c3)★	249	Jan 2001	6.345	99.99245	6.302	+60(6⅜-Mar00)	Morgan Stanley DW
MSMT, 97-D, Class A4(c4)★	68	Aug 2002	6.440	99.99284	6.452	+71(6¼-Dec01)	Morgan Stanley DW
MSMT, 97-D, Class A5(c5)★	37	Sep 2003	6.555	99.98494	6.585	+85(5¾-Nov02)	Morgan Stanley DW
MSMT, 97-D, Class A6(c6)★‡	78	May 2014	(c8)	-	-	-	Morgan Stanley DW
MSMT, 97-D, Class A7(c7)★	95	Mar 2014	6.485	99.98707	6.522	+78(5⅞-Feb04)	Morgan Stanley DW
United Airlines★‡	445.7	Mar 2004	(d)	100.00	-	-	Morgan Stanley DW
Acme Metals(e)	200	Dec 2007	10⅞§	98.251	11.00	+523(6⅝-97)	Morgan Stanley DW
ClassNotes Trust 97-I(f)‡	150	Jan 2001	(f1,g)	100.00R	-	-	Salomon Smith Barney
Sardegna No 1(k)‡	260	Dec 2002	(k1)	100.00	-	-	ABN Amro Hoare Govett
GUILDERS							
ING Bank	750	Jan 2008	5.50	99.354	5.586	+27(l)	ING Barings
Hunter Douglas★	100	Dec 2007	6.01	100.00	6.010	+75(l)	ABN Amro/De NIB
ITALIAN LIRE							
Inter-American Dev Bank‡	150bn	Jan 2010	(i)	100.908	-	-	BNL/JP Morgan/Sanpaolo
Deutsche Finance(Neths)§	950bn	Jan 2038	zero	7.82	6.579	-	Deutsche Morgan G'fell
STERLING							
Annington Finance, FRN(a)‡	900	Jan 2023	(a1,l)	98.40R	-	-	Nomura International
Annington Finance, Class A	1.24bn	Dec 2022	zero	17.70R	7.184	+80(8%Jun21)	Nomura International
Annington Finance, Class B	1bn	Jan 2023	zero	15.58R	7.704	+130(8Jun21)	Nomura International
World Bank	300	Jan 2003	6.50	99.349R	6.657	+24(8½Dec03)	Dresdner KB
FRENCH FRANCS							
World Bank‡	10bn	Jan 2009	(b)	99.84	-	-	Société Générale
Crédit Local de France‡	1bn	Jan 2008	(g)	99.86R	-	-	Société Générale
Santander International(h)	640	Jan 2005	(h1)	100.00R	-	-	Deutsche Morgan G'fell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Callable from Apr 99 at par. a1) 3-mth Libor +40bp to Jan 08, then +100bp. b) Tec-10 -85bp. c) Money Store Mortgage Trust. Average life yrs: c1) 0.42, c2) 1.01, c3) 2.23, c4) 4.08, c5) 6.22, c6) 9.39, c7) 6.40. c8) 1-mth Libor - action rate. d) 3-mth Libor +22bp. e) 12.15% in yr 1, 7% in yrs 2-3, then 15½% - 2 x 12-mth Libor. f) ClassNotes Trust 1997-I, Series 1997-2, Tranche A4. Originator: Educaid. Legal maturity: 1/1/04. Weighted average life: 2.21 yrs (7% CPR). f1) 1-mth Libor +17bp; max 18%. g) Tec-10 -75bp. h) Callable on 14/1/02 at par. h1) 5.13% to 14/1/02, then 6.04%. l) Over interpolated yield. i) Callable on 20/1/08 at 14.78%, 20/1/18 at 27.98% and on 20/1/28 at 52.87%. k) Secured on BTP's and portfolio of non-performing loans. k1) 6-mth Libor +19bp. l) Long 1st coupon. a) Short 1st coupon. Note: Yields are calculated on ISMA basis.

CONTRACTS & TENDERS

APPOINTMENTS WANTED

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.7689	+0.0542	542 - 735	20.8566	20.6727	20.6998	3.7	20.575	3.6	20.0687	3.3	102.6
Belgium	(BFr)	60.9105	+0.1653	690 - 519	61.2210	60.6510	60.7129	3.9	60.3342	3.8	58.8391	3.4	102.1
Denmark	(DKr)	11.2462	+0.031	415 - 509	11.2967	11.1957	11.2119	3.7	11.1471	3.5	10.8992	3.1	104.4
Finland	(FM)	8.9205	+0.0319	135 - 275	8.9620	8.8850	8.8894	4.2	8.8327	3.9	8.6205	3.4	80.9
France	(FFr)	9.8887	+0.0332	843 - 930	9.9291	9.8367	9.855	4.0	9.795	3.8	9.5444	3.5	105.6
Germany	(DM)	2.9513	+0.0077	500 - 526	2.9650	2.9376	2.9419	3.8	2.9235	3.8	2.8495	3.4	103.3
Greece	(Dr)	464.458	+0.915	218 - 700	466.649	462.432	467.263	-7.3	472.898	-7.3	493.355	-6.2	65.5
Ireland	(I£)	1.1436	+0.001	425 - 446	1.1485	1.1423	1.1427	0.9	1.1398	1.4	1.1165	2.4	96.5
Italy	(L)	2897.19	+7.22	515 - 922	2908.82	2884.01	2893.94	1.3	2886.12	1.5	2830.6	2.3	75.9
Luxembourg	(LFr)	60.9105	+0.1653	690 - 519	61.2210	60.6510	60.7129	3.9	60.3342	3.8	58.8391	3.4	102.1
Netherlands	(Fl)	3.3263	+0.0087	245 - 280	3.3423	3.3120	3.3149	4.1	3.2942	3.9	3.2107	3.5	101.5
Norway	(NKr)	12.0976	+0.0701	929 - 023	12.1596	12.0078	12.0577	4.0	11.9856	3.7	11.7257	3.1	98.3
Portugal	(Es)	303.593	+2.599	427 - 758	308.791	300.579	302.99	2.4	301.69	2.5	295.058	2.8	91.1
Spain	(Pta)	250.366	+1.136	215 - 517	250.980	248.790	249.825	2.6	248.699	2.7	243.248	2.8	76.8
Sweden	(SKr)	12.9269	+0.0952	191 - 344	12.9848	12.8208	12.8965	2.8	12.8396	2.7	12.6392	2.2	85.5
Switzerland	(SFr)	2.3845	-0.0008	830 - 860	2.3980	2.3786	2.3723	6.1	2.3497	5.8	2.2548	5.4	108.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.5
Ecu	-	1.4928	+0.0031	919 - 936	1.4994	1.4877	1.4888	3.2	1.4812	3.1	1.4497	2.9	-
SDR†	-	1.22100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6693	+0.0079	678 - 687	1.6758	1.6617	-	-	-	-	-	-	-
Brazil	(R$)	1.8592	+0.0087	583 - 601	1.8677	1.8511	-	-	-	-	-	-	-
Canada	(C$)	2.3887	+0.0234	876 - 897	2.3973	2.3698	2.383	2.9	2.3729	2.7	2.3388	2.1	82.2
Mexico	(New Peso)	13.5804	+0.1744	700 - 907	13.6135	13.4356	13.7306	-13.3	14.002	-12.4	15.1742	-11.7	-
USA	($)	1.6686	+0.0079	681 - 690	1.6757	1.6620	1.6665	1.5	1.6617	1.7	1.6425	1.6	108.0
Pacific/Middle East/Africa													
Australia	(A$)	2.5521	+0.0298	498 - 543	2.5695	2.5358	2.5471	2.4	2.5368	2.4	2.4973	2.1	84.7
Hong Kong	(HK$)	12.9313	+0.0625	269 - 356	12.9853	12.8808	12.9285	0.4	12.9817	-1.6	13.4185	-3.8	-
India	(Rs)	65.3905	+0.2329	562 - 248	65.6540	65.2090	-	-	-	-	-	-	-
Israel	(Shk)	5.8924	+0.0245	849 - 999	5.9129	5.8848	-	-	-	-	-	-	-
Japan	(Y)	216.193	+1.984	052 - 334	215.830	213.400	213.833	7.5	211.403	7.0	200.678	8.7	119.2
Malaysia	(M$)	6.3822	+0.1055	721 - 923	6.4268	6.3270	6.3674	2.8	6.3691	0.8	6.4875	-1.6	-
New Zealand	(NZ$)	2.8618	+0.0285	593 - 643	2.8693	2.8571	2.8652	-1.4	2.8702	-1.2	2.8862	-0.8	101.9
Philippines	(Peso)	65.5241	-0.3228	559 - 923	68.1478	65.0523	66.7865	-23.1	68.5352	-18.4	75.4078	-15.1	-
Saudi Arabia	(SR)	6.2581	+0.0293	560 - 601	6.2845	6.2338	6.2506	1.4	6.2349	1.5	6.1713	1.4	-
Singapore	(S$)	2.7882	+0.0158	857 - 906	2.7973	2.7672	2.808	-8.5	2.8282	-5.7	2.8414	-1.9	-
South Africa	(R)	8.1117	+0.0423	070 - 163	8.1447	8.0855	8.1739	-9.2	8.2684	-7.7	8.6457	-6.6	-
South Korea	(Won)	2627.97	+165.1	692 - 702	2777.54	2470.30	-	-	-	-	-	-	-
Taiwan	(T$)	53.9443	+0.4324	980 - 905	54.1435	53.7802	53.8939	1.1	53.7752	1.3	53.2837	1.2	-
Thailand	(Bt)	76.9202	+2.106	326 - 078	77.1080	73.7600	77.5722	-10.2	78.867	-10.2	82.6132	-7.4	-

† Rates for Dec 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.4443	-0.0282	418 - 467	12.4974	12.4260	12.4217	2.2	12.3823	2.0	12.2280	1.7	102.4
Belgium	(BFr)	36.5050	-0.061	900 - 200	36.7030	36.4600	36.433	2.4	36.3098	2.1	35.825	1.9	102.1
Denmark	(DKr)	6.7401	-0.0132	391 - 411	6.7655	6.7262	6.7282	2.1	6.7065	1.9	6.6361	1.5	103.8
Finland	(FM)	5.3463	-0.0082	435 - 490	5.3684	5.3382	5.3345	2.7	5.3157	2.3	5.2488	1.8	80.5
France	(FFr)	5.9265	-0.008	255 - 275	5.9490	5.9115	5.9144	2.4	5.8947	2.1	5.8113	1.9	105.1
Germany	(DM)	1.7688	-0.0037	685 - 691	1.7785	1.7650	1.7654	2.3	1.7594	2.1	1.735	1.9	102.9
Greece	(Dr)	278.360	-0.765	290 - 430	279.970	277.720	280.41	-6.8	284.595	-9.0	300.385	-7.9	65.3
Ireland	(I£)	1.4591	+0.0056	581 - 601	1.4631	1.4542	1.4584	0.6	1.4580	0.3	1.4711	-0.8	-
Italy	(L)	1736.35	-3.8	560 - 710	1744.60	1732.65	1736.62	-0.2	1736.9	-0.1	1723.45	0.7	75.6
Luxembourg	(LFr)	36.5050	-0.061	900 - 200	36.7030	36.4600	36.433	2.4	36.3098	2.1	35.825	1.9	102.1
Netherlands	(Fl)	1.9935	-0.0042	930 - 940	2.0037	1.9881	1.9892	2.6	1.9825	2.2	1.9548	1.9	101.3
Norway	(NKr)	7.2504	+0.0079	495 - 512	7.2775	7.2151	7.2357	2.4	7.2131	2.1	7.1394	1.5	97.9
Portugal	(Es)	181.950	+0.705	900 - 000	182.000	180.580	181.82	0.9	181.56	0.9	179.65	1.3	92.1
Spain	(Pta)	150.050	-0.025	000 - 100	150.250	149.540	149.917	1.1	149.67	1.0	148.105	1.3	76.5
Sweden	(SKr)	7.7473	-0.0154	448 - 498	7.7764	7.7022	7.739	1.3	7.727	1.0	7.6955	0.7	85.2
Switzerland	(SFr)	1.4291	-0.0072	286 - 296	1.4375	1.4230	1.4237	4.6	1.4141	4.2	1.3729	3.9	108.2
UK	(£)	1.6686	+0.0079	681 - 690	1.6757	1.6620	1.6665	1.5	1.6617	1.7	1.6425	1.6	104.2
Ecu	-	1.1178	+0.0029	174 - 181	1.1190	1.1125	1.1193	-1.7	1.1219	-1.4	1.133	-1.4	-
SDR†	-	0.737409	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1143	-	140 - 145	1.1150	1.1138	-	-	-	-	-	-	-
Canada	(C$)	1.4316	+0.0073	313 - 318	1.4345	1.4250	1.43	1.4	1.428	1.6	1.4341	0.5	82.7
Mexico	(New Peso)	8.1390	+0.0865	350 - 430	8.1440	8.1340	8.2395	-14.6	8.4265	-14.1	9.239	-13.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.9
Pacific/Middle East/Africa													
Australia	(A$)	1.5295	+0.0108	288 - 305	1.5308	1.5280	1.5287	0.6	1.5261	0.9	1.5154	0.9	85.8
Hong Kong	(HK$)	7.7500	+0.001	495 - 505	7.7505	7.7490	7.757	-1.1	7.8125	-3.2	8.17	-5.4	-
India	(Rs)	39.1800	-0.045	800 - 000	39.2500	39.1700	-	-	-	-	-	-	-
Israel	(Shk)	3.5315	-0.0019	279 - 350	3.5364	3.5270	-	-	-	-	-	-	-
Japan	(Y)	128.970	+0.585	920 - 020	129.810	128.280	128.315	6.1	127.225	5.4	122.185	5.3	121.0
Malaysia	(M$)	3.8250	+0.0455	200 - 300	3.8500	3.8000	3.821	1.3	3.833	-0.6	3.95	-3.3	-
New Zealand	(NZ$)	1.7151	+0.0091	141 - 161	1.7248	1.7138	1.7182	-2.2	1.7236	-2.0	1.7424	-1.6	-
Philippines	(Peso)	39.2700	-0.38	000 - 400	39.8000	39.0000	40.0775	-24.7	41.245	-20.1	45.912	-16.9	-
Saudi Arabia	(SR)	3.7506	-0.0001	504 - 508	3.7508	3.7503	3.7509	-0.1	3.7523	-0.2	3.7575	-0.2	-
Singapore	(S$)	1.6710	+0.0018	700 - 720	1.6825	1.6615	1.685	-10.1	1.702	-7.4	1.73	-3.5	-
South Africa	(R)	4.8615	+0.0025	600 - 630	4.8690	4.8525	4.905	-10.7	4.976	-9.4	5.264	-8.3	-
South Korea	(Won)	1575.00	+92	000 - 000	1670.00	1540.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.3300	+0.1075	110 - 490	32.4210	32.3090	32.341	-0.4	32.3625	-0.4	32.4425	-0.3	-
Thailand	(Bt)	46.1000	+1.05	000 - 000	46.2000	44.3000	46.55	-11.7	47.475	-11.9	50.3	-9.1	-

† SDR rate per $ for Dec 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 18: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

December 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	6	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.17
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.17
Netherlands	3	[illegible]	[illegible]	[illegible]	4	-	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	6	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.17	5.39	5.50	5.65	-	-	-
week ago	-	5.17	5.36	5.49	5.64	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible] - 3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible] - 5	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	1 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6 - [illegible]
Italian Lira	[illegible]	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	5 - 4½	8 - 7¼	8 - 7½	9 - 7¼	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.19	94.20	+0.01	94.21	94.19	80,058	493,352
Jun	94.17	94.19	+0.03	94.19	94.17	50,374	381,133
Sep	94.14	94.16	+0.03	94.17	94.14	34,878	261,817

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.09	95.07	+0.01	95.08	95.07	712	7,385
Jun	-	95.10	+0.08	95.10	-	6	1,181
Sep	-	95.03	-	-	-	9	29

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.23	4.845	1.877	4756	5.461	19.86	498.4	411.0	21.22	3.915	1.642	3.922	2.739	353.3	2.451
Denmark	(DKr)	54.19	10	8.793	2.624	1.017	2576	2.958	10.76	270.0	222.6	11.49	2.120	0.889	2.124	1.484	191.3	1.327
France	(FFr)	61.60	11.37	10	2.985	1.156	2930	3.364	12.23	307.0	253.2	13.07	2.411	1.011	2.416	1.687	217.6	1.510
Germany	(DM)	20.64	3.811	3.351	1	0.387	981.7	1.127	4.099	102.9	84.83	4.380	0.808	0.339	0.809	0.565	72.91	0.506
Ireland	(I£)	53.26	9.834	8.647	2.581	1	2534	2.909	10.58	265.5	218.9	11.30	2.085	0.874	2.089	1.459	188.2	1.305
Italy	(L)	2.102	0.388	0.341	0.102	0.039	100	0.115	0.418	10.48	8.642	0.446	0.082	0.035	0.082	0.058	7.428	0.052
Netherlands	(Fl)	18.31	3.381	2.973	0.887	0.344	871.0	1	3.637	91.27	75.27	3.886	0.717	0.301	0.718	0.502	64.70	0.449
Norway	(NKr)	50.35	9.296	8.174	2.440	0.945	2395	2.750	10	251.0	207.0	10.69	1.971	0.827	1.975	1.379	177.9	1.234
Portugal	(Es)	20.06	3.704	3.257	0.972	0.377	954.3	1.096	3.985	100	82.47	4.258	0.785	0.329	0.787	0.550	70.88	0.492
Spain	(Pta)	24.33	4.492	3.950	1.179	0.457	1157	1.329	4.832	121.3	100	5.163	0.952	0.399	0.954	0.666	85.95	0.598
Sweden	(SKr)	47.12	8.700	7.650	2.283	0.885	2241	2.573	9.359	234.9	193.7	10	1.845	0.774	1.848	1.291	166.5	1.155
Switzerland	(SFr)	25.54	4.716	4.147	1.238	0.480	1215	1.395	5.073	127.3	105.0	5.421	1	0.419	1.002	0.700	90.25	0.626
UK	(£)	60.91	11.25	9.889	2.951	1.144	2897	3.326	12.10	303.6	250.4	12.93	2.385	1	2.389	1.669	215.2	1.493
Canada	(C$)	25.50	4.708	4.140	1.236	0.479	1213	1.393	5.065	127.1	104.8	5.412	0.998	0.419	1	0.699	90.09	0.625
USA	($)	36.51	6.740	5.927	1.769	0.685	1736	1.994	7.250	182.0	150.1	7.747	1.429	0.599	1.432	1	129.0	0.895
Japan	(Y)	28.31	5.226	4.595	1.371	0.531	1346	1.546	5.622	141.1	116.3	6.007	1.108	0.465	1.110	0.775	100	0.694
Ecu	-	40.81	7.534	6.625	1.977	0.766	1941	2.228	8.105	203.4	167.7	8.660	1.597	0.670	1.600	1.119	144.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.5682	0.5670	+0.0009	0.5692	0.5652	11,180	65,393
Jun	0.5696	0.5695	+0.0008	0.5696	0.5696	20	4,399
Sep	-	0.5714	-	-	-	7	140

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.7022	0.7039	+0.0012	0.7064	0.7017	6,220	37,256
Jun	-	0.7108	+0.0011	0.7108	-	4	1,462
Sep	-	0.7166	-	-	-	6	110

JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.7868	0.7873	+0.0003	0.7896	0.7800	27,730	88,413
Jun	-	0.7980	+0.0002	-	-	43	1,664
Sep	-	0.8085	-	-	-	122	1,372

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.6580	1.6622	+0.0048	1.6680	1.6554	12,915	30,129
Jun	-	1.6550	+0.0046	1.6580	-	40	1,316
Sep	-	1.6436	-	-	-	7	4

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.650	2.51	3.20	3.48	1.22	2.03	2.66
1.670	1.89	2.53	2.96	1.64	2.51	3.15
1.680	1.42	2.12	-	2.19	3.01	-

Previous day's vol., Calls 4,822 Puts 1,119 . Prev. day's open int., Calls 26,141 Puts 21,301

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.560	0.89	1.20	1.46	0.45	0.67	0.85
0.565	0.61	0.92	1.18	0.67	0.90	1.08
0.570	0.41	0.70	0.95	0.97	1.20	1.35

Previous day's vol., Calls 943 Puts 45 . Prev. day's open int., Calls 8,814 Puts 16,827

UK INTEREST RATES

LONDON MONEY RATES

Dec 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6¾	7¼ - 7	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	7¼ - 7	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Dec 19, 6.9821pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 28, 1997. Agreed rate for period Dec 24, 1997 to Jan 28, 1998, Scheme III 8.84pc. Reference rate for period Nov 1, 1997 to Nov 28, 1997, Schemes IV & V 7.601pc. Finance House Base Rate 7½pc from Dec 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 19	Dec 12		Dec 19	Dec 12
Bills on offer	£100m	£100m	Top accepted rate	6.9932%	7.0593%
Total of applications	£607m	£457m	Ave. rate of discount	6.9821%	7.0303%
Total allocated	£100m	£100m	Average yield	7.1058%	7.1557%
Min. accepted bid	£98.265	£98.240	Offer at next tender	£100m	£100m
Allotment at min. level	81%	32%	Min. accept. bid 28 days	-	-

Pound in New York

Dec 19	--Latest--	-- Prev. close --
£ spot	1.6690	1.6655
1 mth	1.6668	1.6634
3 mth	1.6621	1.6585
1 yr	1.6431	1.6393

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	9.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	5020.2	5168.3	5190.8	5203.4	5121.8	5330.8	4058.6	5330.8	986.9
FTSE 250	4705.1	4736.8	4756.3	4757.0	4763.0	4983.8	4386.2	4983.8	1379.4
FTSE 250 ex IT	4742.7	4766.7	4786.7	4790.6	4803.1	4985.8	4390.7	4985.8	1378.3
FTSE 350	2416.6	2477.4	2488.2	2493.1	2462.0	3546.4	2017.9	3546.4	664.5
FTSE SmallCap	2295.05	2301.58	2300.46	2298.81	2298.93	2406.28	2178.29	2406.28	1363.79
FTSE SmallCap ex IT	2298.56	2298.89	2297.87	2298.96	2304.70	2402.72	2139.02	2402.72	1363.79
FTSE All-Share	2361.28	2417.26	2427.06	2431.52	2403.11	2492.41	1989.78	2492.41	61.92
FTSE Fledgling	1248.03	1252.91	1254.29	1255.17	1253.93	1346.82	1223.48	1346.82	31.14
FTSE Eurotrack 100	2639.68	2670.74	2684.95	2641.31	2627.90	2794.80	1893.80	2794.80	900.45
FTSE Eurotrack 200	2657.78	2694.85	2698.46	2676.85	2647.38	2786.37	1947.11	2786.37	938.62
FT 30	3228.70	3288.20	3285.90	3313.00	3272.20	3430.30	2679.89	3430.30	49.40
FT Govt Securities	101.81	101.49	101.33	101.57	101.81	101.89	93.31	127.40	49.18
FT Fixed Interest	134.19	133.59	133.91	134.23	134.46	134.46	113.85	134.46	50.53
FTSE Gold Mines	1008.66	1023.67	1030.08	853.18	894.04	2074.61	903.02	2074.61	903.02

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
500	Nil	9/1	350pm	335pm	Bodycote Intl	342½pm	
640	Nil	29/12	250pm	190pm	FI Group	250pm	+11½
60	Nil	2/1	20¼pm	15½pm	Taylor Nelson	20¼pm	+2½

pm premium.

BANK RETURN

BANKING DEPARTMENT	Wednesday December 17, 1997 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	1,191,569,972	-67,516,468
Bankers deposits	2,800,184,719	+109,558,769
Reserve and other accounts	3,213,751,110	+11,033,351
	7,220,058,800	+53,075,652
Assets		
Government securities	1,372,640,743	-17,510,000
Advance and other accounts	5,387,727,373	+282,803,886
Premise, equipment and other secs	455,039,679	-205,094,144
Notes	4,550,289	-7,101,545
Coin	100,716	-22,545
	7,220,058,800	+53,075,652
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	23,715,449,711	+777,101,545
Notes in Banking Department	4,550,289	-7,101,545
	23,720,000,000	+770,000,000
Assets		
Other Government securities	16,416,467,822	+111,024,268
Other Securities	7,303,532,178	+658,975,732
	23,720,000,000	+770,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§250	F.P.	70.8	287½	282	Autologic	287½		R7.5	2.0	3.5	18.3
§140	F.P.	29.7	167½	148½	†BCO Techs	166½	+8	-	-	-	-
-	F.P.	13.0	21½	16½	Boustead	19½	-1	-	-	-	-
§200	F.P.	218.3	204½	184½	Bovis Homes	193½		R9.4	2.4	6.1	8.8
§-	F.P.	2.15	73	54	Cortland Comm	54		-	-	-	13.8
290	F.P.	393.0	273½	262½	Energis	262½	-4	-	-	-	-
-	F.P.	-	£180	£168	Fmg Grd Units	£179		-	-	-	-
§25	F.P.	1.40	35½	29½	†General Inds	35	-½	-	-	-	-
§105	F.P.	22.6	133½	123½	†Gooch & Housego	133½		L1.47	3.9	1.4	20.8
§	F.P.	20.2	270	270	Manchester & Lon Inv	270		1.33	3.8	0.6	52.6
§110	F.P.	134.0	124½	115	Marchpole	115	-1½	R3.65	2.1	4.0	15.3
§	F.P.	8.17	57½	54½	†Market Link Publ	55		-	-	-	11.7
-	F.P.	22.6	144½	115½	Nthn Recruitment	138½		L1.73	4.1	1.5	17.4
§8	F.P.	9.54	7½	7	†Property Asset	7		-	-	-	-
-	F.P.	8.44	8¾	8	†Range Cooker Co	8¾	+¼	-	-	-	12.7
-	F.P.	21.2	98½	92½	†Rapid Technology	94½		-	-	-	-
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	35.5	114½	110½	SCS Upholstery	111½		L2.7	2.0	3.0	21.0
§-	F.P.	250.7	114½	109½	Saatchi & Saatch	113		H1.2	3.0	1.3	30.6
§	F.P.	164.4	103¾	98½	Second Scot Natl	103	-½	-	-	-	12.0
§	F.P.	100.1	101	99¾	Do Zero Div Prf	99¾		-	-	-	-
§230	F.P.	51.3	238½	230	Sytner	234		R8.9	3.0	8.7	10.9
§160	F.P.	44.2	176	160	Totra	175½		L0.8	6.9	0.6	29.4
-	F.P.	-	50	40½	Vanguard Md Wis	49½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Dec 19	% chg since 31/12/96	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1008.66	-44.7	27.90	100.00	2.75	-	1807.49	903.02
Regional Indices								
Africa (15)	1074.56	-49.5	6.56	23.58	6.53	19.06	2339.56	921.78
Australasia (6)	1023.74	-53.8	2.71	9.74	3.53	13.38	2217.60	933.63
North America (12)	997.15	-40.9	18.54	66.68	1.29	37.06	1780.66	894.94

UK GILTS PRICES

	Notes	Price £	Wk's % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 4¾pc 1998‡‡		115⅛	----	800	Ap27 Oc27	20.10	1793
Exch 9¾pc 1998		100⅞	----	3,558	Jy19 Ja19	10.7	1273
Treas 10pc 2003		116⅝	0.3	2,593	Mr8 Se8	29.8	1281
Treas 11¼pc 2001-4		113¾	0.2	1,620	Se19 Mr19	10.9	1280
Treas 10pc 2004		118⅞	0.3	23	Nv18 My18	8.5	-
Index-Linked	(b)						
2½pc '99		183⅞	-.1	2	My22 Nv22	13.5	-
2½pc '01	(78.3)	194⅞	-.1	2,150	Mr24 Se24	15.9	1316
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

‡ 'Tap' stock. ‡‡ Tax-free to non-residents on application. ‖ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ‡ Indicative price.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Anglo Am Ind R		£23¼		0555c	ф	1,781	26.8	-
Barlow	♣	£5½	0.2	0124c	ф	1,088	17.96	-
Gold Flds Prop R		120½	-4	065c	1.5	12.3	1.9	-
SA Brews		†£14½xd	3.9	0295c	-	4,238	1.12	4113
Standard Bank		£25½	2.6	0434c	-	3,301	[illegible]	-
Tiger Oats		830xd	1.2	0154c	ф	1,254	8.12	-
Tongaat-Hulett		730xd	-1.0	0142c	ф	718.4	8.12	-

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
FTSE 100 TRAKS		5248xd	3.6	-	-	-	24.11	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed.
- † Interim since reduced, passed or deferred.
- ф Figures or report awaited.
- ♥ Rule 21.4(a) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- 11 Rule 4.2(a) With unincorporated non-listed companies.
- β Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ✦ Merger bid or reorganisation in progress.
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend; cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. $ Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). O Gross. $ Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Metalrussia, Savoy Asset Mngmt** (AIM), **Capital Opps** (InvT), **Seascope Shipping** (Trans). **Deletions: London & Edin, Metrodome** (AIM), **Monarch Res** (Extn), **Bolton** (Prop), **Kingsbury** (RtG), **Hartlepool** (Water).

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

Jupiter Asset Management (Bermuda) Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

[illegible]

Lazard Investment Funds Ltd - Contd.

[illegible]

Scottish Value Management (Ireland) Ltd (n)

[illegible]

BT&T Asset Management (Ireland) Ltd

[illegible]

Dragon Korea Fund Plc

[illegible]

Dresdner Kleinwort Benson Int Mgt Srv

[illegible]

Invesco Asset Management (Ireland) Ltd

[illegible]

Yaki Taiwan Fund

[illegible]

Singer & Friedlander Inv Funds Ltd (n)

[illegible]

Eagle Star European Life Assurance Co Ltd

[illegible]

Edgehill Select Group

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

ABSA Offshore Select Fund Limited

AIB Govett Management (Jersey) Limited

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 19 / Sch)

BELGIUM/LUXEMBOURG (Dec 19 / Frs.)

CZECH REP (Dec 19 / Korunas)

DENMARK (Dec 19 / Kr)

FINLAND (Dec 19 / Mka)

FRANCE (Dec 19 / Frs.)

GREECE (Dec 19 / Drachma)

ITALY (Dec 19 / Lira)

GERMANY (Dec 19 / Dm.)

NETHERLANDS (Dec 19 / Fls.)

NORWAY (Dec 19 / Kroner)

POLAND (Dec 19 / Zloty)

PORTUGAL (Dec 19 / Escudo)

SPAIN (Dec 19 / Pts.)

SWEDEN (Dec 19 / Kronor)

SWITZERLAND (Dec 19 / Frs.)

TURKEY (Dec 19 / Tk Lira)

PACIFIC

JAPAN (Dec 19 / Yen)

HONG KONG (Dec 19 / H.K.$)

INDONESIA (Dec 19 / Rupiah)

MALAYSIA (Dec 19 / MYR)

NEW ZEALAND (Dec 19 / NZ $)

SINGAPORE (Dec 19 / S$)

AUSTRALIA (Dec 19 / Aust$)

SOUTH KOREA (Dec 19 / Won)

TAIWAN (Dec 19 / TW $)

THAILAND (Dec 19 / Baht)

AFRICA

SOUTH AFRICA (Dec 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 19 / Can $) 4 pm close

MONTREAL (Dec 19 / Can $) 4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 19 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY DECEMBER 18 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	194.02	-12.8	172.39	158.17	178.41	197.37	6.2	3.85	198.21	176.96	160.85	182.65	200.24	243.87	190.41	212.24
Austria (23)	184.70	-2.7	164.10	150.57	169.84	169.72	11.7	1.95	186.59	166.59	151.42	171.94	171.82	213.59	175.14	184.69
Belgium (27)	262.35	15.2	233.10	213.87	241.25	236.16	32.4	2.92	259.67	231.84	210.73	239.29	234.16	262.35	222.58	222.58
Brazil (30)	212.77	12.2	189.05	173.48	195.66	436.41	20.3	2.03	221.20	197.49	179.51	203.84	453.70	322.44	164.94	186.77
Canada (122)	207.43	9.5	184.30	169.10	190.74	215.03	14.1	1.84	210.42	187.86	170.76	193.90	217.01	233.66	178.27	187.26
Denmark (32)	432.77	23.0	384.52	352.81	397.96	396.72	40.5	1.29	437.91	390.97	355.36	403.54	402.22	441.85	335.44	335.44
Finland (28)	268.86	8.4	238.89	219.19	247.24	301.67	27.0	2.08	278.15	248.33	225.72	256.31	312.44	349.43	237.15	237.15
France (84)	229.84	7.4	204.22	187.38	211.36	213.67	22.4	2.50	234.12	209.08	190.00	215.74	217.95	246.23	205.72	205.72
Germany (58)	225.41	18.6	200.29	183.76	207.28	207.28	36.2	1.42	229.35	204.76	186.12	211.34	211.34	243.87	183.03	183.03
Hong Kong, China (86)	344.44	-32.1	306.03	280.80	316.73	342.71	-31.9	4.68	354.29	316.31	287.52	326.47	352.47	580.03	314.78	487.38
Indonesia (27)	67.24	-70.5	59.74	54.82	61.83	210.37	-38.4	3.20	66.52	59.39	53.99	61.30	210.99	254.90	52.01	223.75
Ireland (16)	393.34	19.6	349.49	320.67	361.71	379.88	38.8	2.60	395.78	353.34	321.17	364.59	383.68	409.57	311.74	311.74
Italy (63)	113.02	35.4	100.42	92.14	103.93	148.56	54.6	1.87	115.08	102.73	93.38	106.03	149.53	115.27	81.65	81.65
Japan (482)	95.17	-26.3	84.56	77.58	87.51	77.58	-18.1	1.02	99.25	88.61	80.55	91.46	80.55	141.12	95.17	131.02
Malaysia (107)	165.66	-72.5	147.19	135.08	152.34	244.05	-58.4	2.98	169.15	150.12	136.46	154.95	244.76	660.85	157.13	585.13
Mexico (27)	1690.02	38.5	1501.80	1377.77	1554.10	15039.12	43.2	1.62	1730.76	1545.24	1404.58	1594.89	15275.81	1901.96	1189.83	1210.27
Netherlands (18)	400.50	19.1	355.85	326.50	368.29	384.40	37.3	2.30	412.97	368.71	335.14	380.55	376.54	440.67	320.63	320.63
New Zealand (14)	76.56	-16.6	68.02	62.41	70.40	69.72	1.1	4.48	77.77	69.43	63.11	71.67	70.45	96.47	75.37	91.03
Norway (38)	314.76	8.5	279.67	256.60	289.44	309.75	20.9	1.87	317.58	283.58	257.72	292.64	312.19	374.64	279.29	279.29
Philippines (22)	80.14	-60.6	71.20	65.33	73.69	156.83	-41.2	1.34	78.29	69.90	63.54	72.15	154.70	214.07	74.95	201.22
Singapore (42)	234.15	-44.2	208.04	190.88	215.31	180.30	-33.4	1.77	239.15	213.52	194.08	220.38	183.98	448.01	215.21	414.58
South Africa (43)	259.83	-18.4	230.86	211.82	238.94	276.09	-15.2	3.12	267.32	238.67	216.94	246.38	289.90	370.12	251.92	309.61
Spain (33)	268.62	22.2	238.67	218.99	247.02	305.35	41.0	2.21	274.99	245.51	223.16	253.40	312.64	277.33	208.12	207.88
Sweden (49)	460.22	9.1	408.91	375.19	423.20	527.82	23.8	1.97	476.95	425.82	387.06	439.50	548.10	538.94	405.00	410.39
Switzerland (31)	331.99	39.2	294.98	270.65	305.29	294.14	48.1	1.14	337.04	300.91	273.52	310.58	300.12	337.11	231.69	235.55
Thailand (38)	21.96	-77.1	19.52	17.91	20.20	39.30	-58.8	7.32	22.63	20.20	18.36	20.85	38.57	103.88	19.61	101.78
United Kingdom (213)	329.14	18.2	292.44	268.33	302.67	292.44	19.2	3.37	336.17	300.13	272.81	309.78	300.13	337.99	270.44	270.44
USA (641)	386.46	28.0	343.37	315.06	355.37	386.46	28.0	1.61	389.46	347.72	316.06	358.89	389.46	401.22	299.79	303.34
Americas (820)	350.70	27.0	311.60	285.91	322.50	296.04	27.4	1.62	353.70	315.78	287.04	325.93	298.47	365.75	274.42	277.21
Europe (704)	283.85	16.4	252.20	231.40	261.02	264.66	29.4	2.42	289.56	258.54	235.01	266.85	270.87	296.25	230.51	230.51
Nordic (147)	402.57	10.9	357.68	328.19	370.19	403.05	25.4	1.87	414.34	369.92	336.25	381.81	415.48	484.93	350.42	350.42
Pacific Basin (873)	105.26	-29.2	93.53	85.81	96.80	86.95	-20.6	1.70	109.30	97.58	88.70	100.72	89.99	158.99	105.26	149.16
Euro-Pacific (1577)	179.75	-3.6	159.71	146.54	165.29	153.73	5.8	2.17	184.49	164.72	149.72	170.01	157.89	209.12	173.55	182.97
North America (763)	375.05	27.1	333.24	305.76	344.89	374.92	27.3	1.62	378.08	337.56	306.83	348.40	377.86	389.57	292.34	296.32
Europe Ex. UK (491)	253.43	19.7	225.16	206.60	233.05	243.08	35.6	1.87	258.38	230.69	209.69	238.10	248.40	267.07	204.44	204.44
Pacific Ex. Japan (391)	196.11	-37.8	174.25	159.88	180.34	196.84	-27.6	3.97	200.57	179.07	162.77	184.82	200.61	320.65	192.39	305.03
World Ex. US (1799)	183.30	-2.8	162.86	149.43	168.56	160.16	6.2	2.16	188.06	167.90	152.62	173.29	164.35	212.88	176.94	185.11
World Ex. UK (2227)	241.14	10.2	214.26	196.59	221.75	218.81	15.6	1.70	245.02	218.76	198.85	225.79	222.23	262.89	211.19	217.56
World Ex. Japan (1958)	325.40	18.9	289.12	265.28	299.23	318.06	23.6	1.99	329.66	294.34	267.54	303.80	322.48	344.35	270.04	270.04
The World Index (2440)	248.59	10.9	220.88	202.66	228.60	225.49	18.1	1.98	252.74	225.65	205.11	232.90	229.27	268.47	216.61	222.36

 PLEASE NOTE: Amendments to indices 18/12/97 applied to USA, related regional indices and The World Index. CONSTITUENT CHANGES DURING THE WEEK ENDING 19/12/97: Addition; Raytheon 'A' (USA). Deletions: Central Fidelity Bank (USA), Grand Metropolitan (UK) and HFS Inc (USA). Name changes: CUC Intl. to Cendant Corp. (USA), Guinness to Diageo (UK), Haw Par Bros. to Haw Par Corp. (Singapore) and Raytheon Corp to Raytheon 'B' (USA). CONSTITUENT CHANGES WITH EFFECT 22/12/97: Deletions: Banque Bruxelles Lambert (Belgium) and Tochoku (Japan).

Emerging markets: IFC Investable indices

Dollar terms

Dec 19 Markets		Day's % chg	% Chg since 31/12/96
Latin America			
Argentina	1,085.78	-2.2	+11.1
Brazil	446.78	-2.9	+13.2
Chile	630.00	-1.4	+1.8
Colombia¹	826.85	-0.7	+30.9
Mexico	758.30	-0.8	+43.4
Peru²	216.24	-0.3	+0.9
Venezuela³	902.49	+1.5	+24.0
East Asia			
China⁴	56.52	-0.2	-23.3
Korea⁵	31.10		-58.7
Philippines	112.85	+2.4	-61.8
Taiwan, China⁶	144.94	-0.6	-5.4
South Asia			
India⁷	79.00		+0.5
Indonesia⁸	33.88	+11.5	-73.4
Malaysia	94.85	+4.0	-71.8
Pakistan⁹	341.80	+1.3	+33.6
Sri Lanka¹⁰	114.78	+0.5	+20.7
Thailand	53.30	+8.6	-75.9
Europe/Mideast/Africa			
Czech Rep	55.07	+1.0	-21.5
Egypt	91.49	-0.3	-
Greece	333.52	-0.5	+37.6
Hungary¹¹	293.95	-0.3	+48.4
Israel	117.49	-0.6	+17.5
Jordan	211.72	+0.1	+13.4
Morocco	130.99	-0.1	-
Poland¹²	565.80	-2.1	-22.8
Portugal	235.42	+0.2	+42.6
Russia	199.75	+0.4	-
S Africa¹³	170.65	-0.2	-13.9
Slovakia	94.80	-1.4	-
Turkey¹⁴	279.05	+1.3	+93.6
Zimbabwe¹⁵	248.78	-0.2	-47.0
Regions			
Composite	240.67	-0.2	-18.4
Latin America	647.77	-1.8	+20.4
Asia	111.39	+2.0	-58.0
EMEA	142.88	-0.0	+5.5

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 6 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

■ FT Free Annual Reports Service

4 pm close December 19

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
- A -										
[illegible]										
- B -										
[illegible]										
- C -										
[illegible]										
- D -										
[illegible]										
- E -										
[illegible]										
- F -										
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- G -										
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- H -										
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- I -										
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- J -										
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- K -										
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- L -										
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- M -										
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- N -										
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- O -										
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- P - Q -										
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- R -										
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- S -										
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- T -										
[illegible]										
- U -										
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- V -										
[illegible]										
- W -										
[illegible]										
- X - Y - Z -										
[illegible]										

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7756.29	7846.50	7957.41	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.06	104.91†	105.02	105.12 (16/12)	101.09 (14/4)	105.12 (16/12/97)	54.99 (1/10/81)
Transport	3143.24	3173.77	3235.18	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	264.75	265.16	265.88	265.88 (17/12)	209.47 (25/4)	265.88 (17/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 7878.60 (7991.48) Low 7563.23 (7781.35) (Theoretical‡)
Day's high 7846.47 (7955.67) Low 7576.93 (7810.44) (Actual‡)

Standard and Poors	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	946.78	955.30	965.54	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials¥	1095.80	1102.88	1116.43	1148.82 (7/10)	865.42 (11/4)	1148.82 (12/12/97)	3.52 (30/6/32)
Financial¥	116.43	118.00	119.13	129.83 (8/12)	80.75 (2/1)	129.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	497.29	501.69	506.59	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp	680.68	684.87	671.28	721.89 (7/10)	541.20 (28/4)	721.89 (7/10/97)	524.20 (16/7/96)
NASDAQ Comp	1524.74	1523.19	1547.37	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	420.03	420.35	426.44	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Dec 12	Dec 5	Nov 28	Year ago
Dow Jones Ind. Div. Yield	1.74	1.68	1.74	2.09
	Dec 17	Dec 10	Dec 3	Year ago
S & P Ind. Div. yield	1.49	1.48	1.46	1.87
S & P Ind. P/E ratio	25.90	26.09	26.33	22.74

US DATA

■ MARKET ACTIVITY

● Volume (million)	Dec 19	Dec 18	Dec 17
NYSE	787.361	618.870	618.800
Amex	34.905	29.298	28.996
NASDAQ	800.794	760.936	789.244

NYSE	Dec 19	Dec 18	Dec 17
Issues Traded	3,441	3,458	3,440
Rises	888	1,023	1,645
Falls	1,959	1,912	1,298
Unchanged	494	521	497
New Highs	123	137	202
New Lows	156	85	66

■ NYSE TRADING ACTIVITY — Volume : 787,361,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	8,582,500	53½	-½
AT & T	7,897,000	61⅛	+2⅝
Gen Elct	7,404,400	73⅛	-⅞
Coca Cola	7,270,100	65⅞	+1⅝
Nike B	6,808,500	40⅝	-3⅜
Ph Morris	6,586,700	44⅛	-⅛
Micron Tc	6,287,700	27¾	+3⅞
IBM	6,067,900	102	+2¾
First Data	6,049,800	28	-½
Texas Ins	5,364,400	45⅛	+2⅛

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Cont Airline	39¾	+4¼	+12.8
Airtour	119¾	+1⅞	+12.2
J Ray	35¾	+3⅞	+11.0
SGS-Thms	55¼	+4⅞	+8.9
Downs			
Nike B	39⅞	-3¾	-8.1
Volt Info	54	-4¼	-7.5
Raytheon	51½	-3¾	-6.8
Lear Corp	45	-2⅞	-6.1

■ NASDAQ TRADING ACTIVITY — Volume :800,794,000

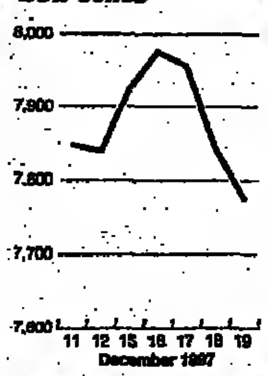
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	26,589,100	70	+⅝
Dell Cmp	22,899,600	78⅞	-2⅞
Oracle	17,401,800	21⅝	-⅝
Three Com	17,027,000	32¾	-¾
Microsoft	16,789,000	128⅞	-2⅞
Cisco	16,533,400	53⅞	-⅜
Appld Mat	12,943,700	30	+1½
Sun Micro	10,363,800	38⅞	+1¾
Ascend Cm	8,418,300	27⅞	+3⅛
Worldcom	8,089,800	33⅞	+⅞

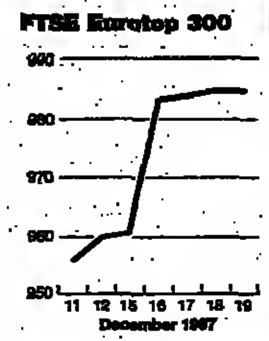
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Micral	27¼	+4¼	+18.5
First Ctze	36	+5½	+18.0
Harbinger	24¾	+3¾	+16.8
Flextphs	33¾	+4⅞	+16.1
Downs			
Dewsap Cty	26¼	-3⅞	-12.9
Maverick	23	-2⅝	-10.2
Intl Tele	22½	-2⅛	-8.6
Manugistics	30⅝	-3¼	-8.1

Dow Jones



FTSE Eurotop 300



JAPAN

[illegible]

FRANCE

[illegible]

GERMANY

Friday	Stocks traded	Close price	Day's change
Commerzbk	2,802,220	74.8	+3.3
Dt Telekom	1,878,152	31	-0.95
Siemens	1,807,768	100.55	-2.85
Bayer	1,273,297	60.7	-1.85
Lfthsa Rg	1,077,452	31.5	-2
BASF	1,068,834	60.7	-1.85
Daimler-Benz	884,511	117.2	-6.8
Metro	875,048	84.3	-6.15
Deutsche Bk	851,290	123.85	-1.85
Dresdner Bk	837,131	81.1	-1.8

[illegible]

UK

Friday	Stocks traded	Close price	Day's change
Br Steel	24,245,650	136½	-3½
Shell T&T	19,403,800	430	-20
Vodafone	18,106,570	433	+3
BTR	15,412,440	184½	+3½
Centrica	14,085,480	89¼	-½
T&N	13,507,550	260½	-½
Pilkington	13,503,430	122	-1½
BT	12,570,760	467½	+½
Unilever	11,281,800	480	-20
Safeway	11,074,190	325	-11½

[illegible]

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	966.20	959.90	-5.00	966.90	934.90	145,173	361,225
Jun	965.00	968.00	-7.00	970.00	945.00	925	8,469
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	15610.0	15240.0	-850.0	15680.0	15090.0	34,686	169,026
Jun	15580.0	15220.0	-840.0	15580.0	15070.0	4,222	30,466

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2860.0	2831.0	-68.0	2859.0	2820.0	937	35,781
Jan	2856.0	2837.5	-68.5	2860.0	2832.0	10,575	14,537
■ DAX							
Dec	4170.0	4167.0	+14.0	4186.0	4138.0	29,603	33,923
Mar	4121.0	4094.5	-106.0	4130.0	4081.0	20,813	57,590

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2335.00	2298.00	-92.25	2344.50	2292.50	6,060	15,726
Jan	2330.75	2305.50	-91.25	2350.00	2299.50	7,556	14,625
■ SOFFEX							
Dec	6025.0	6007.4	-98.0	6030.0	6000.0	6,222	12,246
Jan	6039.8	6005.0	-106.0	6040.0	5984.0	4,266	16,127

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Yield	P/E
Argentina	General	21694.55	21855.08	22207.27	25771.70 22/10	18237.37 2/1	3.37	18.4

Stocks recovered slightly in late trading but closed sharply lower, dragged down by steep falls elsewhere.

Country	Index	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Yield	P/E
Australia	All Ordinaries	2528.1	2563.1	2582.1	2779.20 25/8	2289.20 28/10	3.59	18.5
	All Mining	577.0	580.4	571.9	987.19 24/2	541.30 27/11		

BHP slipped with the market, having earlier jumped 40 cents after reporting its interim results.

Country	Index	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Yield	P/E
Hungary	Bux	7501.77	7612.73	7616.87	8483.88 6/8	4291.30 8/1	na	na

Shares came off in line with global trend. Motor components group Raba fell 6 per cent.

Country	Index	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Yield	P/E
India	BSE Sens.	3540.91	3472.35	3487.02	4548.02 5/8	3228.34 2/1	na	na
	Crisil 500	846.63	837.85	838.40	943.35 5/8	815.20 12/12		

Market rallied as traders squared positions ahead of year-end.

Country	Index	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Yield	P/E
Poland	WIG	13767.2	14081.9	14311.3	16339.49 16/2	13767.20 19/12	1.78	10.5

Turnover jumped 55 per cent as shares lurched lower.

Country	Index	Dec 19	Dec 18	Dec 17	1997 High	1997 Low	Yield	P/E
Portugal	BVL 30	3653.70	3700.19	3698.37	3780.19 18/12	2146.57 2/1	1.57	[illegible]
	PSI 20	8500.30	8609.41	8581.63	8609.41 18/12	5182.34 2/1		

Market bounced off its lows towards the close in dull volume.

[Remaining World Markets at a Glance entries (Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Korea, Luxembourg, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Peru, Philippines, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, Venezuela, Zimbabwe, World, Cross-border) and footnotes: illegible at this resolution]

NASDAQ NATIONAL MARKET

4 pm close December 19

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close December 19

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 22

British beef inquiry

Jack Cunningham, UK agriculture minister, is expected to announce an inquiry into Britain's BSE epidemic. It will attempt to establish the cause of mad cow disease and the way in which ministers have handled the outbreak. Mr Cunningham is also hoping to announce a package of aid for hill farmers, who have been hit by the BSE crisis and the rising pound. The Commons will rise for the Christmas recess, returning on January 12.

Hard for diamonds

De Beers, which dominates world trade in rough (or uncut) diamonds, postponed until today its review of 1997 sales so that Nicky Oppenheimer and Gary Ralfe, who take over as chairman and managing director respectively next month, can give their views personally. Analysts suggest there will be no surprises in the sales figures – most expect them to be about US$4.6bn compared with last year's record $4.83bn – but De Beers might well say that Asia's financial turmoil is making the outlook for 1998 seem pretty bleak. Diamond traders say that at present the US diamond jewellery market, the biggest with Japan, is the only one that is holding up well and wonder how long even that can continue.

Track record

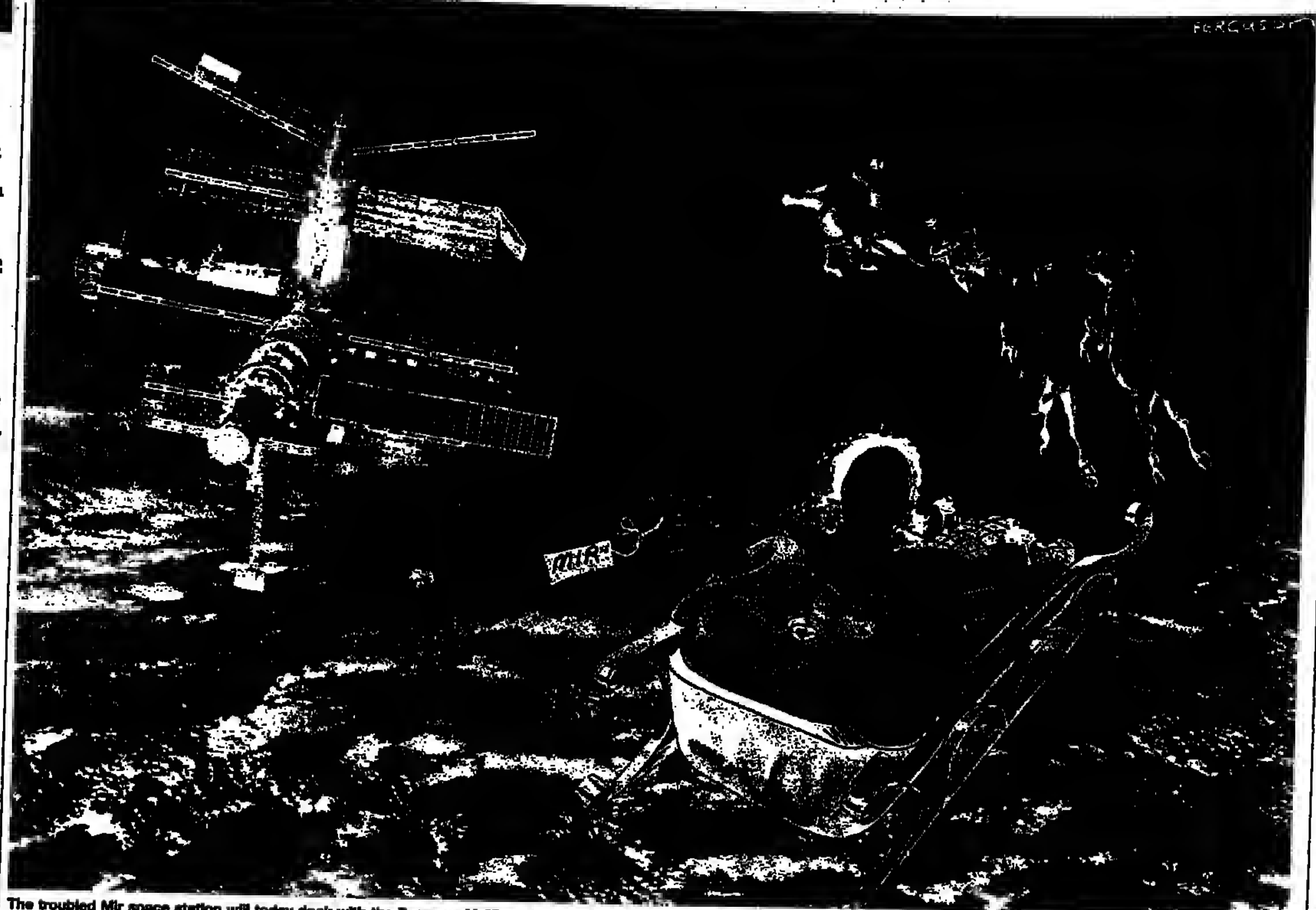
A hand-painted German toy train made by Buchner, which has been in one family since 1849 and has been used by just three children, is expected to fetch up to £8,000 at the Trains Galore auction sale at Christie's in London. The most valuable item is a 1938 Märklin 00 gauge set, one of the only train sets specifically made by a German company for the British market. Its pre-sale estimate is £35,000 to £40,000.

Korean food aid

Talks are scheduled to be held in Beijing between North and South Korean Red Cross representatives on food aid; North Korea has suffered from major food shortages following massive floods in 1995 and 1996 and from record heatwaves last summer.

Spending review

The Treasury select committee publishes its report on the Barnett Formula – the 20-year-old mechanism which guarantees Scotland, Wales and Northern Ireland a higher level of public spending per head than England. The report is expected to call for a "needs assessment" of all parts of the UK, to ensure that spending allocations fairly reflect social and economic problems.



The troubled Mir space station will today dock with the Progress M-37 cargo ship launched from the Baikonur space exploration facility in Kazakhstan

Parallel world

Men's World Cup downhill slalom skiing at Madonna di Campiglio, Italy.

Cricket

First one-day international, Guwahati: India v Sri Lanka. Women's World Cup, Patna, India: quarter-finals.

TUESDAY 23

Meet the troops

German chancellor Helmut Kohl and defence minister Volker Rühe visit Sarajevo , the Bosnian capital, to meet German troops serving with the Nato-led Stabilisation Force, and senior Bosnian officials.

Slalom of peace

Sarajevo hosts its first ski competition since the end of the war when some 30 international skiers are expected to participate in the "Slalom of Peace" at Mount Bjelasnica.

Money talks

Bank of France monetary policy council meeting.

Imperial birthday

Japan's Emperor Akihito celebrates his 64th birthday. He will meet his entire family in the morning, followed by a series of formal events in the imperial palace. The heads of the administrative, legislative, and judicial branches, including prime minister Ryutaro Hashimoto, will visit the palace and will each give a congratulatory speech for the Emperor. Ambassadors from 127 countries are expected to attend a tea ceremony.

Holiday

Japan.

WEDNESDAY 24

Christmas Eve

London markets close early: Liffe, International Petroleum Exchange at 12.30pm; London Stock Exchange and London Metal Exchange at 1.30pm. US markets close early.

Cricket

Women's World Cup, Guwahati, India: semi-finals.

Holiday

Andorra, Austria, Brazil, Bulgaria, Cape Verde Islands, Czech Republic, Denmark, Finland, France, Germany, Guatemala, Israel, Italy, Liechtenstein, Luxembourg, Macau, Mexico, Norway, Panama, Portugal, San Marino, Slovak Republic, Sweden, Switzerland, United States, Vatican City.

THURSDAY 25

Christmas Day

Stock markets closed.

Algerian choice

Elections for two-thirds of the Algerian upper house to be chosen by representatives of elected local councils, with the remaining third to be selected by president Liamine Zeroual.

Copper bottom

Hearing in the Tokyo trial of Yasuo Hamanaka, who has pleaded guilty to fraud and forgery over unauthorised copper transactions which Sumitomo Corporation estimates cost it losses of $2.6bn. He is expected to be sentenced early in the new year.

Holiday: all countries bar

Afghanistan, Algeria, Armenia, Azerbaijan, Bahrain, Bhutan, Bosnia & Herzegovina, China, Cuba, Egypt, Ethiopia, Georgia, Iran, Iraq, Israel, Japan, Kazakhstan, Kuwait, Kyrgyzstan, Libya, Macedonia, Maldives, Mauritania, Moldova, Mongolia, Morocco, Nepal, Oman, Qatar, Russian Federation, Saudi Arabia, Somalia, Tajikistan, Thailand, Tunisia, Turkey, Turkmenistan, Ukraine, United Aran Emirates, Yemen, Yugoslavia.

FRIDAY 26

One Man's meet

The King George VI at Kempton Park on Boxing Day is the National Hunt year's mid-season highlight before the stars of steeple chasing are prepared by their trainers for the challenge of the Cheltenham Festival in March. The race, first run in 1947, features One Man, bidding for a hat trick, which would emulate Desert Orchid's achievement between 1986 and 1989. In addition to a place in history, the nine-year-old gelding is travelling from his Cumbrian-based trainer Gordon Richards' yard for a share of the £104,000 purse. One Man is odds-on favourite for the three-mile test.

Cricket

First test, Melbourne: Australia v South Africa (to December 30). Women's World Cup, Madras: semi-finals.

Holiday

Andorra, Aruba, Australia, Austria, Bahamas, Barbados, Belgium, Belize, Bermuda, Botswana, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Cook Islands, Croatio, Cyprus, Czech Republic, Denmark, Dominica, Estonia, Fiji, Finland, Germany, Ghana, Gibraltar, Greece, Grenado, Guyana, Hong Kong, Hungary, Iceland, Ireland, Italy, Jamaica, Kenya, Kiribati, Latvia, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macau, Malawi, Montserrat, Namibia, Nauru, Netherlands, Netherlands Antilles, New Zealand, Nigeria, Norway, Papua New Guinea, Poland, Portugal, Romania, San Merino, Sierra Leone, Slovak Republic, Slovenia, Solomon Islands, South Africa, Spain, St Kitts & Nevis, St Lucia, St Pierre, St Vincent, Suriname, Swaziland, Sweden, Switzerland, Tanzania, Tonga, Trinidad, Turks & Caicos Islands, Uganda, UK, US, Vanuatu, Vatican City, Virgin Islands, Western Samoa, Zimbabwe.

SATURDAY 27

Day of the jab

An estimated 1.5m children will be immunised against polio throughout Pakistan on a nationwide polio day.

Holiday

Vatican City.

SUNDAY 28

Uprooted

Deadline for appeals by primarily white commercial farmers in Zimbabwe against president Robert Mugabe's decision to seize their 1,503 farms for a peasant resettlement programme.

Chuvash vote

Presidential election in the Chuvash republic of Russia.

South African visit

China's foreign minister Qian Qichen visits South Africa (to January 1).

Compiled by Roger Beale.
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ECONOMIC DIARY

Other economic news

Monday: The UK's balance of payments for the third quarter are published, while in Italy the 11 Cities CPI for December and M2 for November is expected. Household consumption in France for November should be negatively affected by the truck drivers' strike.
Tuesday: CPI for four west German Länder will be published, with the price climate expected to remain very benign.
Wednesday: The governor of the Bank of Japan gives a news conference on the monthly economic outlook. In the US, October figures on personal spending, personal income and jobless claims will come out.
Thursday: The Japanese cabinet decides on the 1998 budget bill and on the amount of government bonds issued next year. Expectations are rising that the government will commit more public spending and bond prices will weaken further.
Friday: Japan's unemployment rate for November is expected to remain at 3.5 per cent. Forecasts for Tokyo region inflation for December are for an annual rise of 1.8 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Nov household consumption†	0.2%	2.2%
Dec 22	Germany	Dec Hesse cost of living*	0.2%	-0.1%
	Germany	Dec Hesse cost of living**	1.5%	1.6%
	UK	Q3 final gross domestic product***	0.9%	0.9%
	UK	Q3 final gross domestic product**	3.8%	3.8%
	UK	Q3 current account	0.6bn	0.9bn
	Germany	Dec B Wuer cost of living*	0.2%	0.1%
	Germany	Dec B Wuer cost of living**	1.7%	1.8%
Tues	France	Oct trade balance†	FFr17.2bn	FFr19.3bn
Dec 23	France	Nov consumer price index*	0.1%	0.15%
	UK	Oct global visible trade	-£1.2bn	£-1.3bn
	UK	Nov ex-EU visible trade	-£700m	£-794m
	UK	Nov EU harmonised consumer pri indx		1.9%
	US	Q3 gross domestic product final		3.3%
	US	Q3 gross domestic product price index		1.5%
	US	Q3 after tax corporate profit		1.7%
	US	Nov durable orders		-0.3%
	US	Nov durable shipments		-0.7%
	Germany	Dec prelim cost of living* west	0.2%	0.1%
	Germany	Dec prelim cost of living** west	1.8%	1.8%
Wed	Japan	Nov supermarket sales**		-3.6%
Dec 24	Japan	Nov department store sales**		-3.6%
	US	Nov personal income		0.5%
	US	Nov personal consumer expenditure		0.5%
	US	Dec Michigan Sentiment final**		103.0

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Japan	Nov industrial production†		0.1%
	Japan	Nov shipments†		-0.2%
	Japan	Dec trade bal (first 10 days nott)		Y8.1bn
Thurs	Japan	Oct coincident index		60.0%
Dec 25	Japan	Oct leading differential index		60.0%
	Japan	Nov retail sales**		-2.3%
Fri	Japan	Dec consumer price index** (Tokyo)		2.0%
Dec 26	Japan	Dec cons price index ex-perishables**		2.2%
	Japan	Nov consumer price index** (nation)		2.5%
	Japan	Nov cons price index ex-perishables**		2.4%
	Japan	Nov unemployment rate		3.5%
	Japan	Nov job offers seekers ratio		0.70
	Japan	Nov construction orders**		-11.2%
	Japan	Nov housing starts**		-25.2%
	Japan	Nov construction starts**		-21.5%
Sun	Korea	Nov current acount		$600m
Dec 28	Korea	Nov trade balance-bal of payments		$720m
During the week...				
	Germany	Nov producer price index*		94.0
	Germany	Nov import prices*	-0.3%	-0.1%
	Germany	Nov producer price index**	1.2%	1.2%
	Germany	Nov import prices**	3.1%	3.4%
	Germany	Dec Bavaria cost of living*		0.0%
	Germany	Dec Bavaria cost of living**		1.7%

*month on month, **year on year ***qtr on qtr; †seasonally adjusted *Statistics, Standard & Poor's MMS.*

MONDAY PRIZE CROSSWORD

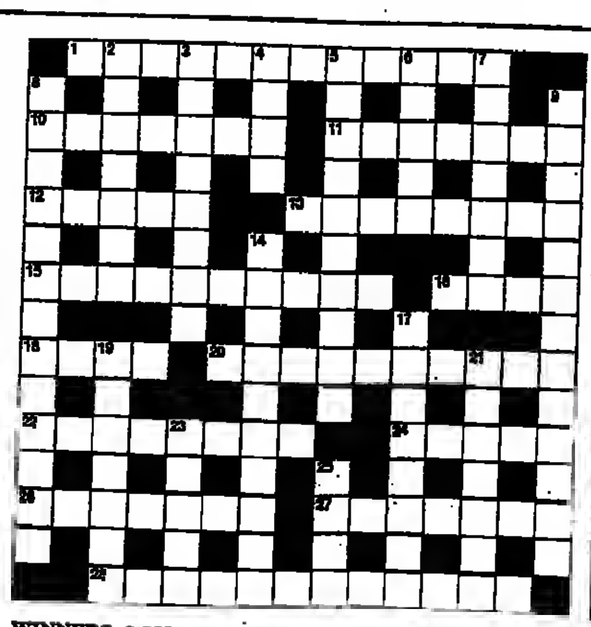
No.9,563 Set by GRIFFIN

ACROSS

1 Female journalist swerved but she was too late (6,3,3)
10 Male in one factory needed tissue graft (7)
11 Take soldiers to old city without NCO, causing animosity (7)
12 Mid-July return of cunning extremist (5)
13 Time to ban go-go dancing, which goes downhill fast (8)
15 Seaside toy needs repairing, but take your time (4,4,2)
16 Joint to Warwick needs closing down (4)
18 One caught in empty kayak or punt (4)
20 Huge building in memory of Jolson (10)
22 Pass on after SRN slips up? (8)
24 Peers round laser (5)
26 Turn AA members against new motorist, as usual (7)
27 Put old boy back on useless pill (7)
28 Politicians are generous and do (7,5)

DOWN

2 Incentive for naughty child – suet pudding! (7)
3 Waves to minors going in a certain direction (8)
4 Tax office (4)
5 Sweet-sounding cordial (10)
6 Black takes in work making game (5)
7 Photographed gnu injured by firearm (7)
8 Reckons monarch will go round at Olympic event (6,7)
9 Silly moron loses bag of something brides wear (6,7)
14 Old Elmer has broken ruler of one improving designs (10)
17 An exceptional sea which brought up something sweet (8)
19 Volunteers left firm since first by the seaside (7)
21 Embracing chaps it's wrong to tease (7)
23 Plant vehicle returns, taking 60 minutes (5)
25 Pop round before you get to 50 stone! (4)



Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Wednesday December 31, marked Monday Crossword 9,563 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 5. Please allow 28 days for delivery of prizes.

Name..

Address..

....

Solution 9,552

WINNERS 9,552: A. Atkinson, Poole, Dorset; E. Cameron, Glasgow; K.R. Russ, Beverley, Yorkshire; Mrs B. Venton, Chipstead, Surrey.

JOTTER PAD